

OSCEOLA COUNTY

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2013

*De Noble, Austin & Company PC
Certified Public Accountants
Rock Rapids, Iowa*

Table of Contents

	<u>Page</u>
Officials	1-2
Independent Auditor's Report	3-5
Management's Discussion and Analysis	6-16
Basic Financial Statements:	<u>Exhibit</u> 17
Government-Wide Financial Statements:	
Statement of Net Position	A 18-19
Statement of Activities	B 20-21
Governmental Fund Financial Statements:	
Balance Sheet	C 22-23
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 25
Statement of Revenues, Expenditures and Changes in Fund Balances	E 26-27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 28
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	G 29
Notes to Financial Statements	31-53
Required Supplementary Information:	54
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	55
Budget to GAAP Reconciliation	56
Notes to Required Supplementary Information – Budgetary Reporting	57
Schedule of Funding Progress for the Retiree Health Plan	58
Supplementary Information:	<u>Schedule</u> 59
Nonmajor Governmental (Special Revenue) Funds:	
Combining Balance Sheet	1 60-61
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 62-63
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3 64-65
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4 66-67
Component Unit – Public Safety Commission:	
Balance Sheet	5 69
Reconciliation of the Balance Sheet to the Statement of Net Position	6 70
Schedule of Revenues, Expenditures and Change in Fund Balance	7 71
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance to the Statement of Activities	8 72
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) & Budget to GAAP Reconciliation	9 73
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	10 74-75
Schedule of Revenues by Source and Expenditures by Program – Component Unit – Public Safety Commission	11 76
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79-80
Schedule of Findings	82-92
Staff	93

Osceola County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
(Before January 2013)		
Philip Bootsma	Board of Supervisors	December 31, 2016
Jayson Vande Hoef	Board of Supervisors	December 31, 2016
Merlin Sandersfeld	Board of Supervisors	December 31, 2016
Michael Schulte	Board of Supervisors	December 31, 2014
LeRoy DeBoer	Board of Supervisors	December 31, 2014
Barbara Echter	County Auditor	December 31, 2016
Douglas Weber	County Sheriff	December 31, 2016
Robert Hansen	County Attorney	December 31, 2014
Deb VanBeest	County Recorder	December 31, 2014
Becky Marco	County Treasurer	December 31, 2014
Charles Bechtold	County Engineer	July 27, 2012 (Resigned)
Nicholas Schmalen	County Conservation Director	Indefinite
Sharon Wolter	County Assessor	December 31, 2015
Dan Bechler	County Emergency Management Director	Indefinite
Jerry Johnson	Public Safety Commission Board Member	December 31, 2013
Arlyn Pedley	Public Safety Commission Board Member	December 31, 2013
Jeff Loring	Public Safety Commission Board Member	December 31, 2013
Gary Benz	Public Safety Commission Board Member	December 31, 2013
Jan Henningsen	Public Safety Commission Board Member	December 31, 2013
Philip Bootsma	Public Safety Commission Board Member	December 31, 2013
Patrick DeVries	Public Safety Commission Board Member	December 31, 2013
Larry Pedley	Public Safety Commission Board Member	December 31, 2013

Osceola County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
(After January 2013)		
LeRoy DeBoer	Board of Supervisors	December 31, 2014
Michael Schulte	Board of Supervisors	December 31, 2014
Philip Bootsma	Board of Supervisors	December 31, 2016
Merlin Sandersfeld	Board of Supervisors	December 31, 2016
Jayson Vande Hoef	Board of Supervisors	December 31, 2016
Robert Hansen	County Attorney	December 31, 2014
Arlene Kuehl	County Recorder	January 31, 2013 (Retired)
Deb Van Beest	County Recorder	December 31, 2014 (Appointed February 1, 2013)
Becky Marco	County Treasurer	December 31, 2014
Barbara Echter	County Auditor	December 31, 2016
Douglas Weber	County Sheriff	December 31, 2016
Charles Bechtold	County Engineer	Indefinite (Appointed January 4, 2013)
Nicholas Schmalen	County Conservation Director	Indefinite
Sharon Wolter	County Assessor	Indefinite
Dan Bechler	County Emergency Management Director	Indefinite
Jerry Johnson	Public Safety Commission Board Member	December 31, 2013
Arlyn Pedley	Public Safety Commission Board Member	December 31, 2013
LeRoy DeBoer	Public Safety Commission Board Member	December 31, 2013
Jeff Loring	Public Safety Commission Board Member	December 31, 2013
Gary Benz	Public Safety Commission Board Member	December 31, 2013
Jan Henningsen	Public Safety Commission Board Member	December 31, 2013
Philip Bootsma	Public Safety Commission Board Member	December 31, 2013
Patrick DeVries	Public Safety Commission Board Member	December 31, 2013

DE NOBLE, AUSTIN & COMPANY PC

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Independent Auditor's Report

To the Officials of Osceola County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Osceola County as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 16 and 55 through 59 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osceola County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight fiscal years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that were formed directly from this dissolution) previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the fiscal year ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules I through II is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2014 on our consideration of Osceola County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Osceola County's internal control over financial reporting and compliance.

De Noble, Austin & Company PC

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants

June 30, 2014

Management Discussion and Analysis

Osceola County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Fiscal Year 2013 Financial Highlights

- The County's governmental funds revenues/capital assets sold for fiscal year 2013 were \$7,204,046, compared to \$6,916,502 in fiscal year 2012, an increase of \$287,544 or 4.16%. Property taxes and other county tax increased by \$305,189 or 10.18%. Intergovernmental revenues decreased by \$162,973 or 27.87%. Miscellaneous revenues increased by \$62,079 or 78.59%. There was \$29,450 in sales of capital assets in fiscal year 2013, while there were no sales in capital asset sales in fiscal year 2012. All other revenue classifications netted to an increase of \$83,249.
- The County's governmental funds expenditures for fiscal year 2013 were \$6,935,158 compared to \$6,988,522 in fiscal year 2012, a decrease of \$53,364 or 0.76%. The capital projects function had the largest increase of \$331,869 or 190.62%. The public safety and legal services function decreased \$155,692 or 11.97%. The mental health function decreased \$333,389 or 40.98%. The roads and transportation function decreased by \$457,327 or 17.14%. All other expenditures functions increased by a net of \$561,175.
- The County's governmental funds fund balances for fiscal year 2013 were \$3,226,347 compared to \$2,957,459 in fiscal year 2012, an increase of \$268,888 or 9.09%. The Secondary Road Fund had the largest fund balance increase of \$245,953. The General Fund increased by \$170,823. The County T.I.F. (Amended Ethanol – CEA Project) decreased by \$82,686. The Mental Health Fund decreased by \$33,152. All other governmental funds decreased by a net of \$32,050.
- The County's governmental activities revenues for fiscal year 2013 were \$9,552,004, compared to \$6,936,138 in fiscal year 2012, an increase of \$2,615,866 or 37.71%. The reason for the large increase was primarily due to \$2,345,591 in capital grants from the Iowa Department of Transportation for roadway projects in fiscal year 2013 and none in fiscal year 2012.
- The County's governmental activities expenses for fiscal year 2013 were \$6,789,454, compared to \$6,819,367 in fiscal year 2012, a decrease of \$29,913 or 0.44%.
- The County's government-wide net position for fiscal year 2013 was \$15,021,003, compared to \$12,258,453 in fiscal year 2012, an increase of \$2,762,550 or 22.54%.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Osceola County as a whole and present an overall view of the County's finances, including data on the County's discretely presented component unit, the Public Safety Commission.

- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Osceola County's operations in more detail than the governmental-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Osceola County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental (Special Revenue) Funds and the individual Agency Funds. In addition, financial statement and budgetary comparison information is presented for the Public Safety Commission.

Reporting the County's Financial Activities

Government-Wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, interest on long-term debt and small (noncapitalized) capital projects. Property tax, tax increment financing and intergovernmental financing (grants) fund most of these activities. The County has no business type activities.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the legally separate Public Safety Commission for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows in and out of these funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads, County Tax Increment Financing (Ethanol Plant - Plan Area Revenue), County Tax Increment Financing (Ethanol Plant - Revenue Surplus) and County Tax Increment Financing (Ethanol Plant - Principle and Interest Sinking). These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the E911 Surcharge Fund, Emergency Management Services Fund, the County Assessor's Fund and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Component Unit

As discussed earlier, the Public Safety Commission is a component unit of the County. The Public Safety Commission does not issue separate financial statements, so basic financial statement information is included in the County's supplementary information (schedules). This information is reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The information provides a detailed, short-term view of the governmental operations and the basic services it provides. This information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Public Safety Commission's programs. The Public Safety Commission adopts its budget on a cash basis.

Some of the financial highlights for fiscal year 2012/2013 for the Public Safety Commission include:

- The discretely presented component unit – Public Safety Commission's government-wide net position for fiscal year 2013 was \$331,728 compared to \$362,127 in fiscal year 2012, a decrease of \$30,399 or 8.39%. The Public Safety Commission's governmental activities revenues for fiscal year 2013 were \$1,037,561 compared to \$986,581 in fiscal year 2012, an increase of \$50,980 or 5.17%. The Public Safety Commission's governmental activities expenses for fiscal

year 2013 were \$1,067,960 compared to \$1,031,644 in fiscal year 2012, a increase of \$36,316 or 3.52%. Revenues and expenses both remained consistent with the prior year.

- The Public Safety Commission's fund financial statements had modified accrual basis revenues for fiscal year 2013 of \$1,039,873 compared to \$988,622 in fiscal year 2012, an increase of \$51,251 or 5.18%.
- The Public Safety Commission's fund financial statements had modified accrual basis expenditures for fiscal 2013 of \$1,074,218 compared to \$995,687 in fiscal year 2012, an increase of \$78,531 or 7.89%. Expenditures increased primarily in the uniformed patrol services area, which had an increase of \$53,164 or 9.53%, due to capital asset purchases in fiscal year 2013.
- The Public Safety Commission's fund balance for fiscal year 2013 was \$242,749 compared to \$277,094 in fiscal year 2012, a decrease of \$34,345 or 12.40%. This compares to a decrease of \$7,065 or 2.49% from fiscal year 2011 to fiscal year 2012.
- The Public Safety Commission did not exceed its final budgeted disbursements for fiscal year 2013. Public Safety Commission's actual cash basis disbursements of \$1,064,592 came in \$35,108 under budget. For fiscal year 2013, the Public Safety Commission's actual ending cash balance of \$260,138 was \$71,055 higher than the final budget's anticipated ending cash balance of \$117,867.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for governmental activities and the component unit from a year ago.

Net Position				
	Governmental Activities		Public Safety Commission	
	June 30,		June 30,	
	2013	2012	2013	2012
Current and Other Assets	\$ 7,932,809	\$ 7,432,635	257,076	282,340
Capital Assets	12,918,018	10,805,657	161,339	168,434
Total Assets	20,844,827	18,238,292	418,415	450,774
Other Liabilities	4,526,644	4,299,306	13,895	4,218
Long-term Liabilities	1,297,180	1,680,533	72,792	84,429
Total Liabilities	5,823,824	5,979,839	86,687	88,647
Net Position:				
Invested in Capital Assets, Net of Related Debt	12,624,219	10,476,382	161,339	168,434
Restricted	2,928,850	2,718,417	0	0
Unrestricted	(532,066)	(936,346)	170,389	193,693
Total Net Position	\$ 15,021,003	\$ 12,258,453	331,728	362,127

The largest portion of Osceola County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represent resources that are subject to

external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position are the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Of the total net position for the County's governmental activities, invested in capital assets increased by \$2,147,837, restricted net position increased by \$210,433 (mainly due to an increase in amounts restricted for secondary roads purposes), and unrestricted net position increased by \$404,340.

Changes in Net Position				
	Governmental Activities		Public Safety Commission	
	Year Ended		Year Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenues:				
Program Revenues:				
Charges for Service	\$ 466,113	\$ 431,329	\$ 1,019,333	\$ 979,206
Operating Grants, Contributions and Restricted Interest	2,532,189	2,770,752	18,228	7,375
Capital Grants, Contributions and Restricted Interest	2,453,784	8,240	0	0
General Revenues:				
Property Tax Levied for:				
General Purposes	2,936,049	2,661,480	0	0
Unified Law	366,998	336,106	0	0
Tax Increment Financing	504,503	464,851	0	0
Penalty and Interest on Property Tax	12,942	18,619	0	0
State Tax Credits	186,941	159,824	0	0
Grants and Contributions Not Restricted to Specific Purposes	3,989	5,256	0	0
Unrestricted Investment Earnings	16,649	21,636	0	0
Rents	45,833	43,615	0	0
Drainage Assessments	20,352	8,454	0	0
Miscellaneous	5,662	5,976	0	0
Total Revenues	9,552,004	6,936,138	1,037,561	986,581
Program Expenses:				
Public Safety and Legal Services	1,150,322	1,119,015	0	0
Physical Health and Social Services	210,925	219,573	0	0
Mental Health	519,862	813,627	0	0
County Environment and Education	592,716	394,941	0	0
Roads and Transportation	2,949,592	2,980,248	0	0
Governmental Services to Residents	290,169	291,914	0	0
Administration	748,485	702,784	0	0
Nonprogram Current	64,297	65,543	0	0
Interest on Long-Term Debt	46,223	57,622	0	0
Capital Projects	216,863	174,100	0	0
Public Safety Commission	0	0	1,067,960	1,031,644
Total Expenses	6,789,454	6,819,367	1,067,960	1,031,644
Increase in Net Position	2,762,550	116,771	(30,399)	(45,063)
Net Position Beginning of Year	12,258,453	12,141,682	362,127	407,190
Net Position End of Year	\$ 15,021,003	\$ 12,258,453	331,728	362,127

The County's portion of governmental activities costs financed by users (charges for service) increased by \$34,784 or 8.06% (mainly in the public safety and legal services function). Operating grants, contributions and restricted interest decreased by \$238,563 or 8.61% (mainly in the mental health function). Capital grants, contributions and restricted interest increased by \$2,445,544 (due to a large increase in the roads and transportation function). General revenues increased by \$374,101 or 10.0% (mainly due to property and other county taxes levied for general purposes).

Program expenses for governmental activities this fiscal year decreased by \$29,913.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Major Fund Highlights

Osceola County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Osceola County completed fiscal year 2013, its governmental funds reported a combined fund balance of \$3,226,347. This is in comparison to fiscal year 2012, when the combined fund balance was \$2,957,459. This is a \$268,888 increase from last year. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

GENERAL FUND: The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses of the County are paid from this fund. The fiscal year 2013 General Fund ending fund balance was \$1,216,716. This is in comparison to last fiscal year when the fund balance was \$1,045,353. This is a \$170,823 increase from last year or 16.34%. Of the June 30, 2013 fund balance, \$20,961 is nonspendable, \$571,465 is restricted and \$623,750 is unassigned. With an increase in property and other county taxes and intergovernmental, revenues increased by \$257,759. Expenditures increased by \$86,734 (primarily due to an increase in county environment and education).

MENTAL HEALTH FUND: The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The fiscal year 2013 Mental Health ending fund balance was \$(174,388). This is in comparison to last fiscal year when the fund balance was \$(141,236). This is a \$33,152 decrease from last year or 23.47%. For fiscal year 2013, revenues decreased by \$304,524 (intergovernmental revenues decreased), and expenditures decreased by \$333,389 (mostly in the metal retardation and mental health problems/mental illness areas).

RURAL SERVICES FUND: The Rural Service Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road and sanitarian services, but excluding services financed by other statutory funds. The fiscal year 2013 Rural Services ending fund balance was \$33,692. This is in comparison to last fiscal year when the fund balance was \$45,840. This is a \$12,148 decrease from last year or 26.50%. The County transferred \$785,026 from the Rural Services Fund to the Secondary Roads Fund in fiscal year 2013 (compared to \$681,251 in fiscal year 2012). Revenues increased by \$142,713 (due to property and other county tax collections), and a decreased in expenditures by \$8,918 (the decrease was in the physical health and social services).

SECONDARY ROADS FUND: The Secondary Roads Fund is used to account for secondary road construction and maintenance. The fiscal year 2013 Secondary Roads ending fund balance was \$2,099,135. This is in comparison to last fiscal year when the fund balance was \$1,853,182. This is an \$245,953 increase from last year or 13.27%. Revenues increased by \$64,097 (intergovernmental revenues increased); expenditures decreased by \$32,714 (the roads and transportation decreased); in fiscal 2013, the amount of asset sold was \$2,300 (compared to nothing sold in fiscal year 2012) and operating transfers in amounted to \$785,026 (compared to \$716,251 in fiscal year 2012).

URBAN RENEWAL DISTRICT 1 PLAN AREA REVENUE FUND: The Urban Renewal District 1 Plan Area Revenue Fund is used to account for the collection of tax increment financing from Otter Creek Ethanol, LLC. The tax increment financing proceeds are being collected in order to satisfy urban renewal revenue capital loan note debt service requirements. For fiscal year 2013, this fund had revenues of \$377,209 (compared to \$403,868 in fiscal year 2012), transfers out of \$377,575 (compared to \$403,832 in fiscal year 2012), a beginning fund balance of \$1,597 and an ending fund balance of \$1,231.

URBAN RENEWAL DISTRICT 1 REVENUE SURPLUS: The Urban Renewal District 1 Revenue Surplus Fund is used to account for Urban Renewal District 1 Plan revenues in excess of the scheduled principal and interest payments on the revenue capital loan notes and the Reserve Fund requirement of \$284,500. Money in this fund is to be used for early redemption of the urban renewal revenue capital loan notes in \$5,000 increments on June 1st of each year. This fund for fiscal year 2013 had net transfers in of \$129,025 (compared to \$143,705 in fiscal year 2012), expenditures of \$130,000 (compared to \$145,000 in fiscal year 2012) for early redemption of revenue capital loan notes, a beginning fund balance of \$2,667 and an ending balance of \$1,692.

URBAN RENEWAL DISTRICT 1 PRINCIPAL AND INTEREST SINKING FUND: The Urban Renewal District 1 Principal and Interest Sinking Fund is used to account for the payment of principal and interest on the urban renewal revenue capital loan notes. This fund for fiscal year 2013 had net transfers in of \$248,550 (compared to \$260,127 in fiscal year 2012), expenditures of \$248,550 (compared to \$260,127 in fiscal year 2012) and a beginning and ending fund balance of \$0.

OTHER SPECIAL REVENUE FUNDS: The other Special Revenue Funds, which include the Recorder's Records Management, Sheriff's Asset Forfeiture, Resource Enhancement and Protection, Unified Law Levy, Drainage Districts, County Attorney Incentive Fund, Urban Renewal District 1 Revenue Reserve and the County Tax Increment Financing Fund, are classified as nonmajor Special Revenue Funds. Nonmajor Special Revenue Funds' fund balances increased during fiscal year 2013 by \$6,177 (from \$145,220 to \$151,397).

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except blended component units (drainage districts) and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, Osceola County amended its budget three times. The dates of the budget amendments, the amounts changed and the most significant reasoning for the changes are as follows:

<u>Budget Amendment Date</u>	<u>Amounts Changed</u>	<u>Reasoning for Changes</u>
September 27, 2012	Receipts = \$68,582 Increase Disbursements = \$92,677 Increase	Grant proceeds Grant disbursements; medical examiner costs; special election costs
February 21, 2013	Receipts = \$25,508 Increase Disbursements = \$70,808 Increase	Grant proceeds Courthouse repairs; conservation costs; Enterprise Park costs; Mental Health charges
March 27, 2013	Receipts = \$1,424 Increase Disbursements = \$203,510 Increase	Sale of crops Lawsuit settlement
April 10, 2013	Receipts = \$37,059 Increase Disbursements = \$116,459 Increase	Risk pool funding (Mental Health) Jail: fire alarms, stool and ceiling repairs; ambulance costs; Mental Health charges

The County ended up collecting more than its budgeted revenues by \$147,858 and coming in below its budgeted disbursements by \$547,100. The actual beginning cash basis balance was \$141,302 higher than budgeted and the ending cash basis balance was \$836,260 higher than budgeted.

Capital Assets and Debt Administration

Capital Assets

Osceola County concluded fiscal year 2013 with \$17,651,470 invested in a broad range of capital assets. The Public Safety Commission concluded fiscal year 2013 with \$419,806 invested in a broad range of capital assets. The capital assets include public safety/secondary roads/conservation equipment, buildings, land, roads and bridges. See Note to the Financial Statements (5) for more information about the County's and Public Safety Commission's capital assets.

Capital Assets at Year End				
	Governmental Activities		Public Safety Commission	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Land	\$ 1,505,716	\$ 1,496,356	\$ 0	\$ 0
Buildings and Improvements	1,052,546	919,378	0	0
Machinery, Equipment and Vehicles	5,415,582	5,165,297	419,806	454,176
Infrastructure	9,677,626	7,322,675	0	0
Total	<u>\$ 17,651,470</u>	<u>\$ 14,903,706</u>	<u>\$ 419,806</u>	<u>\$ 454,176</u>

This fiscal year's major additions for the County's governmental activities included a lawn mower, a 2012 pick up, a Conservation shed, Willow Creek bathrooms, waterline to Willow Creek, a disk mower, a 2013 truck box, 2013 sign truck, an auto pulse system, land(Boerhave) and bridges-asphalt overlay on L-36 FM-CO72(55)-Harms Rd, L-58 FM-CO72(57)-Horton Rd and A-22 STP-S-CO-72(56) . The Public Safety Commission purchased a patrol car.

The County's governmental activities had depreciation expense of \$709,448 in fiscal year 2013 and total accumulated depreciation of \$4,739,452 on June 30, 2013. The Public Safety Commission had depreciation expense of \$24,157 in fiscal year 2013 and total accumulated depreciation of \$258,467 on June 30, 2013.

Long-Term Debt

At June 30, 2013, the County had the following debt issuances outstanding:

	Urban Renewal Revenue Capital Loan Notes	OCEDC General Obligation Loan	Osceola Electric Coop General Obligation Loan
July 1, 2012 Balances	\$ 1,250,000	107,875	221,400
Principal Payments (FY 2013)	375,000	4,576	36,900
June 30, 2013 Balances	<u>\$ 875,000</u>	<u>103,299</u>	<u>184,500</u>

The urban renewal revenue capital loan notes were issued for the purpose of paying the costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including road improvements, traffic and rail control devices and a grant to Otter Creek Ethanol, LLC, in the Osceola County Urban Renewal District 1 Plan Area. The notes are payable solely from the income and proceeds of the Special Revenue, Urban Renewal District 1 Plan Area Revenue Fund and the taxes paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

The loan with the Osceola County Economic Development Commission was used to purchase real estate known as "Hawkeye Point". The fiscal year 2013 principal payment was made through the Rural Services Fund.

The loan with the Osceola Electric Cooperative, Inc. (Rural Economic Development Loan and Grant Program) was used to assist in the purchase of 41 acres of land near Highways 9 and 60. This land was purchased for economic development purposes. The fiscal year 2013 principal payment was made through the Rural Services Fund.

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits (this figure is 100% valuation less military exemptions). Osceola County's outstanding debt is significantly below its constitutional debt limit of approximately \$29 million. Additional information about the County's long-term debt, including information on the urban renewal revenue capital loan notes and general obligation loans provisions, plus additional long-term debt related to compensated absences and the net OPEB liability, is presented in Notes to the Financial Statements (7) and (9).

Economic Factors and Next Year's Budgets and Rates

Osceola County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and the fees for various County activities. Factors include the economy, state funding levels and property valuations for fiscal year 2013. Unemployment as of December 2013 in Osceola County was 4.1% (this compares with the State of Iowa unemployment rate of 4.8% and a national rate of 7.4%).

These types of indicators were taken into account when adopting the County's budget for fiscal year 2014. The fiscal year 2013 actual figures for funds required to be budgeted and the original adopted budget for fiscal year 2014 for receipts and disbursements are as follows:

	Fiscal Year 2013 Actual	Fiscal Year 2014 Original Adopted Budget
Receipts:		
Property and Other County Tax	\$ 3,807,165	\$ 4,068,669
Interest and Penalty on Property Tax	11,762	0
Intergovernmental	2,762,789	2,592,527
Licenses and Permits	19,710	18,250
Charges for Service	354,560	275,184
Use of Money and Property	67,529	54,380
Miscellaneous	135,080	38,840
Total Receipts	<u>\$ 7,158,595</u>	<u>\$ 7,047,850</u>

Disbursements		
Public Safety and Legal Services	\$ 1,139,089	\$ 1,215,518
Physical Health and Social Services	202,814	256,802
Mental Health	517,931	370,030
County Environment and Education	652,508	480,913
Roads and Transportation	2,649,774	2,793,308
Governmental Services to Residents	277,623	295,429
Administration	728,758	739,226
Nonprogram Current	64,297	67,400
Debt Service	463,738	462,677
Capital Projects	248,944	285,000
Total Disbursements	<u>\$ 6,945,476</u>	<u>\$ 6,966,303</u>

The property taxation by type and tax rates per \$1,000 taxable valuation for fiscal year 2013 and 2014 are as follows:

Property Taxation by Type

	Fiscal Year 2013	Fiscal Year 2014
Countywide Levies	\$ 2,139,985	\$ 2,250,087
Rural Only Levies	\$ 1,255,134	\$ 1,387,593
T.I.F. Tax Revenues	\$ 508,459	\$ 507,912
Utility Replacement Excise Tax	\$ 95,014	\$ 93,503

Tax Rates per \$1,000 Taxable Valuation

	Fiscal Year 2013	Fiscal Year 2014
Urban Areas	5.37760	5.35305
Rural Areas	9.34676	9.4114

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Osceola County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Osceola County Auditor's office, 300 7th Street, Sibley, Iowa 51249 (phone number: 712-754-2241).

Source: Unemployment: <http://www.iowaworkforce.org>

Osceola County
Basic Financial Statements

Osceola County

Statement of Net Position

June 30, 2013

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Assets		
Cash, Cash Equivalents and Pooled Investments	\$ 3,105,977	\$ 235,821
Receivables:		
Property Tax:		
Delinquent	2,033	0
Succeeding Year	3,529,152	0
Tax Increment Financing:		
Succeeding Year	501,418	0
Interest and Penalty on Property Tax	6,669	0
Accounts	230	0
Accrued Interest	3,206	0
Drainage Assessments	1,182	0
Due from Primary Government (County)	0	6,274
Due from County's Agency Funds	188,766	432
Due from Other Governments	212,744	0
Inventories	340,585	0
Prepaid Expenses	40,847	14,549
Capital Assets, Net of Accumulated Depreciation	12,912,018	161,339
Total Assets	20,844,827	418,415
Liabilities		
Accounts Payable	148,386	5,830
Salaries and Benefits Payable	21,534	420
Compensated Absences	0	5,005
Due to Component Unit	6,274	0
Due to Other Governments	317,135	2,640
Accrued Interest Payable	2,445	0
Deferred Revenue:		
Succeeding Year Property Tax	3,529,152	0
Succeeding Year Tax Increment Financing	501,418	0
Other	300	0

Osceola County

Statement of Net Position

June 30, 2013

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Liabilities (Continued)		
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences	70,816	53,820
Urban Renewal Revenue Capital Loan Notes	195,000	0
OCEDC General Obligation Loan	4,787	0
Osceola Electric Coop. General Obligation Loan	36,900	0
Portion Due or Payable After One Year:		
Urban Renewal Revenue Capital Loan Notes	680,000	0
OCEDC General Obligation Loan	98,511	0
Osceola Electric Coop. General Obligation Loan	147,600	0
Net OPEB Liability	63,566	18,972
Total Liabilities	5,823,824	86,687
Net Position		
Net Investment in Capital Assets	12,624,219	161,339
Restricted for:		
Supplemental Levy Purposes	370,438	0
Conservation Land Acquisition Purposes	130,997	0
Jail Improvements/Courthouse Security Purposes	129,141	0
Rural Services Purposes	35,395	0
Secondary Roads Purposes	2,055,575	0
Other Purposes	207,304	0
Unrestricted	(532,066)	170,389
Total Net Position	\$ 15,021,003	\$ 331,728

See notes to financial statements.

Osceola County

Statement of Activities

Year Ended June 30, 2013

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses		Service		
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Public Safety and Legal Services	\$ 1,150,322	242,669	21,218	0
Physical Health and Social Services	210,925	942	65,438	0
Mental Health	519,862	3,368	248,465	0
County Environment and Education	592,716	23,799	56,771	108,193
Roads and Transportation	2,949,592	51,415	2,139,377	2,345,591
Governmental Services to Residents	290,169	137,434	21	0
Administration	748,485	6,486	899	0
Non-program Current	64,297	0	0	0
Interest on Long-Term Debt	46,223	0	0	0
Capital Projects	216,863	0	0	0
Total Primary Government	\$ 6,789,454	466,113	2,532,189	2,453,784
Component Unit:				
Public Safety Commission	\$ 1,067,960	1,019,333	18,228	0
General Revenues:				
Property and Other County Tax Levied for:				
General Purposes				
Unified Law				
Tax Increment Financing				
Penalty and Interest on Property Tax				
State Tax Credits				
Grants and Contributions Not Restricted to Specific Purposes				
Unrestricted Investment Earnings				
Rents				
Drainage Assessments				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position Beginning of Year				
Net Position End of Year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component Unit
Governmental Activities	Public Safety Commission
(886,435)	0
(144,545)	0
(268,029)	0
(403,953)	0
1,586,791	0
(152,714)	0
(741,100)	0
(64,297)	0
(46,223)	0
(216,863)	0
(1,337,368)	0
0	(30,399)
2,936,049	0
366,998	0
504,503	0
12,942	0
186,941	0
3,989	0
16,649	0
45,833	0
20,352	0
5,662	0
4,099,918	0
2,762,550	(30,399)
12,258,453	362,127
\$ 15,021,003	\$ 331,728

Osceola County
Balance Sheet
Governmental Funds

June 30, 2013

Exhibit C

	Special Revenue						
	County Tax			County Tax			Total
	General	Mental Health	Rural Services	Secondary Roads	Increment Financing (Ethanoh Plan Area Revenue)	Increment Financing (Ethanoh Plant - Revenue Surplus)	Nonmajor Special Revenue
Assets							
Cash, Cash Equivalents and Pooled Investments	\$ 1,127,802	159,702	36,519	1,270,750	671	4,840	505,693
Receivables:							
Property Tax:							
Delinquent	1,633	151	178	0	0	0	71
Succeeding Year	1,992,803	184,255	966,175	0	0	0	385,919
Tax Increment Financing:							
Succeeding Year	0	0	0	0	415,314	0	86,104
Interest and Penalty on Property Tax	6,669	0	0	0	0	0	0
Accounts	230	0	0	0	0	0	0
Accrued Interest	2,999	0	0	0	188	0	19
Drainage Assessments	0	0	0	0	0	0	1,182
Due from County's Governmental Funds	112,085	0	0	332,434	0	0	0
Due from Agency Funds	188,766	0	0	0	0	0	0
Due from Other Governments	17,005	0	1,525	189,831	0	0	4,383
Inventories	0	0	0	340,585	0	0	0
Prepaid Expenditures	20,961	0	0	18,886	0	0	1,000
Total Assets	\$ 3,470,953	344,108	1,004,397	2,152,486	416,173	4,840	984,371
							8,377,328
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	\$ 72,298	20,913	2,708	38,198	0	0	14,269
Salaries and Benefits Payable	6,335	0	119	15,080	0	0	0
Due to County's Governmental Funds	0	0	0	0	0	0	444,519
Due to Component Unit	0	0	0	0	0	0	6,274
Due to Other Governments	3,876	313,186	0	73	0	0	0
Deferred Revenue:							
Succeeding Year Property Tax	1,992,803	184,255	966,175	0	0	0	385,919
Succeeding Year Tax Increment Financing	0	0	0	0	415,314	0	86,104
Other	179,465	142	1,703	0	0	0	1,253
Total Liabilities	2,254,777	518,496	970,705	53,351	415,314	0	938,338
							5,150,981

Fund Balances:

Nonspendable:

Advance for Interfund County T.I.F. -

Amended Ethanol

Inventory

Prepaid Expenditures

Restricted for:

Supplemental Levy Purposes

Advance for Interfund County T.I.F. -

Amended Ethanol

Jail Improvements/Courthouse Security

Conservation Land Acquisition Purposes

Rural Services Purposes

Secondary Roads Purposes

Urban Renewal Purposes

Other Purposes

Unassigned

Total Fund Balances**Total Liabilities and Fund Balances**

39,206	0	0	0	0	0	0	0	0	0	0	0	39,
0	0	0	0	340,585	0	0	0	0	0	0	0	340,
20,961	0	0	0	18,886	0	0	0	0	0	0	1,000	40,
279,388	0	0	0	0	0	0	0	0	0	0	0	279,
72,879	0	0	0	0	0	0	0	0	0	0	0	72,
48,995	0	0	0	0	0	0	0	0	0	0	0	48,
130,997	0	0	0	0	0	0	0	0	0	0	0	130,
0	0	33,692	0	0	0	0	0	0	0	0	0	33,
0	0	0	1,739,664	0	0	0	0	0	0	0	0	1,739,
0	0	0	0	0	859	4,840	284,500	290,	0	0	0	290,
0	0	0	0	0	0	0	205,052	205,	0	0	0	205,
623,750	(174,388)	0	0	0	0	0	(444,519)	4,	0	0	0	4,
1,216,176	(174,388)	33,692	2,099,135	859	4,840	46,033	3,226,					
\$ 3,470,953	344,108	1,004,397	2,152,486	416,173	4,840	984,371	8,377,					

See notes to financial statements.

Osceola County

**Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position**

June 30, 2013

Total Governmental Fund Balances (pages 23-24) **\$ 3,226,347**

*Amounts reported for governmental activities in the Statement of
Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$17,651,470 and the accumulated depreciation is \$4,739,452. 12,912,018

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 182,263

Long-term liabilities, including accrued interest payable, certain compensated absences payable, urban renewal revenue capital loan notes, general obligation loans and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,299,625)

Net Position of Governmental Activities (pages 19-20) **\$ 15,021,003**

See notes to financial statements.

Osceola County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	Special Revenue							
	General	Mental Health	Rural Services	Secondary Roads	(Ethanol Plant - Plan Area Revenue)	County Tax Increment Financing (Ethanol Plant - Revenue Surplus)	County Tax Increment Financing (Ethanol Plant - Principal and Interest Sinking)	Nonmajor Special Revenue Total
Revenues:								
Property and Other County Tax	\$ 1,893,273	184,535	857,944	0	0	0	0	366,991
Tax Increment Financing	0	0	0	0	417,226	0	0	87,277
Interest and Penalty on Property Tax	11,790	0	0	0	0	0	0	0
Intergovernmental	275,906	259,184	62,960	2,139,376	0	0	0	73,194
Licenses and Permits	110	0	3,850	15,560	0	0	0	0
Charges for Service	347,097	3,368	0	0	0	0	0	1,656
Use of Money and Property	43,471	0	0	19,009	3,050	0	0	196
Miscellaneous	70,582	0	0	39,800	0	0	0	23,557
Total Revenues	2,642,229	447,087	924,754	2,213,745	420,276	0	0	552,871
								7,200,962
Expenditures:								
Operating:								
Public Safety and Legal Services	752,907	0	0	0	0	0	0	391,888
Physical Health and Social Services	197,235	0	13,003	0	0	0	0	0
Mental Health	0	480,239	0	0	0	0	0	39,625
County Environment and Education	475,165	0	90,764	0	0	0	0	126,291
Roads and Transportation	0	0	0	2,573,438	0	0	0	0
Governmental Services to Residents	270,092	0	1,871	0	0	0	0	4,939
Administration	727,801	0	0	0	0	0	0	0
Non-program Current	0	0	0	0	0	0	0	64,297
Debt Service	0	0	46,238	0	0	180,000	237,500	0
Capital Projects	48,206	0	0	182,462	0	0	0	31,195
Total Expenditures	2,471,406	480,239	151,876	2,755,900	0	180,000	237,500	658,235
								6,935,156
Excess (Deficiency) of Revenues Over (Under) Expenditures	170,823	(33,152)	772,878	(542,155)	420,276	(180,000)	(237,500)	(105,364)
								265,806

Other Financing Sources (Uses):											
Sale of Capital Assets	0	0	0	0	3,082	0	0	0	0	0	3,082
Operating Transfers In	0	0	0	0	785,026	0	183,148	237,500	0	0	1,205,674
Operating Transfers Out	0	0	0	(785,026)	0	(420,648)	0	0	0	0	(1,205,674)
Total Other Financing Sources (Uses)	0	0	0	(785,026)	788,108	(420,648)	183,148	237,500	0	0	3,082
Changes in Fund Balances											
	170,823	(33,152)	(12,148)	245,953	(372)	3,148	0	(105,364)	268,888		
Fund Balances Beginning of Year	1,045,353	(141,236)	45,840	1,853,182	1,231	1,692	0	151,397	2,957,459		
Fund Balances End of Year	\$ 1,216,176	(174,388)	33,692	2,099,135	859	4,840	0	46,033	3,226,347		

See notes to financial statements.

Osceola County
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement
of Activities
Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds (pages 27-28) **\$ 268,888**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures and do not report capital assets donated for economic development purposes, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets and report the basis of capital assets donated as an expense. Capital outlay expenditures exceeded depreciation expense and capital assets contributed in the current year as follows:

Expenditures for capital assets	\$ 536,265	
Depreciation expense	(509,447)	
Capital asset contributed by the Iowa Department of Transportation	2,345,591	2,172,409

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition of capital assets as an increase in financial resources. (66,048)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Other		2,911
-------	--	-------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. There were no current year debt issuances. Current year repayments were as follows:

Repaid long-term debt		416,476
-----------------------	--	---------

Some expenses reported in the Statement of Activities result in increases or decreases in related expenses; however, these expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Interest on long-term debt	1,039	
Compensated absences	(3,478)	
Other postemployment benefits	(11,361)	(32,086)

Change in Net Position of Governmental Activities (pages 23-24) **\$ 2,762,550**

See notes to financial statements.

Osceola County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

Assets

Cash, Cash Equivalents and Pooled Investments:		
County Treasurer	\$	736,560
Other County Officials		8,566
Receivables:		
Property Tax:		
Delinquent		9,416
Succeeding Year		7,618,541
Tax Increment Financing:		
Succeeding Year		281,274
Accounts		190,848
Accrued Interest		2
Special Assessments		1,741
Due from Other Governments		49
Prepaid Expenses		13,246
Total Assets		8,860,243

Liabilities

Accounts Payable		31,254
Salaries and Benefits Payable		283
Due to Primary Government		188,766
Due to Component Unit		432
Due to Other Governments		8,563,438
Trusts Payable		70,522
Compensated Absences		5,548
Total Liabilities		8,860,243
Net Position	\$	0

See notes to financial statements.

Osceola County

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Osceola County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. Appointed/hired officials that assist the Board of Supervisors include the Conservation Director and Engineer. Osceola County contracts with Lyon County for the Central Point Coordinator position. The County provides numerous services to citizens, including law enforcement (in conjunction with the Public Safety Commission), health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Osceola County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County.

These financial statements present Osceola County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Fifty-one drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Osceola County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Osceola County Auditor's office.

Discretely Presented Component Unit – The Public Safety Commission is presented in a separate column to emphasize that it is legally separate from the County, but is financially accountable to the County, or whose relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The Public Safety Commission, a Chapter 28E Organization formed by Osceola County and each of the cities in Osceola County, is governed by representatives appointed by each of the members and is the sole provider of public (governmental) law enforcement for all of Osceola County. Osceola County approves the Public Safety Commission's tax rates and levies a unified law tax on behalf of the Commission. Osceola County collected and expended \$387,488 (\$387,891 on a cash basis) to the Public Safety Commission for the unified law levy for the fiscal year. Osceola County's expenditure for its contribution for contract law enforcement to the Public Safety Commission was \$198,417 for the fiscal year. In addition, the County provided the Public Safety Commission with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on Public Safety Commission funds). The financial statements for the Public Safety Commission, which are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board, are presented in this audit report as a discretely presented component unit and more detailed financial information is reported as other supplementary information in the schedules.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Osceola County Assessor's Conference Board, Osceola County Emergency Management Commission, Osceola County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County for the Osceola County Assessor, Osceola County Emergency Management Commission and Osceola County Joint E911 and not reported for the Northwest Iowa Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. During the year ended June 30, 2013, the County did not contribute any money to the County Assessor, E911, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority; while the County expended \$30,000 in support for the Emergency Management Services

and paid \$200 to the Northwest Iowa Solid Waste Agency for tire disposal. In addition, the County provided the County Assessor, Emergency Management and E911 with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on the County Assessor and Emergency Management funds).

Joint Venture – The County is a participant with the cities in Osceola County in a joint venture to manage the Osceola County Economic Development Commission, a Chapter 28E Organization. The Commission is governed by a six-member board composed of one representative from each governmental entity. The purpose of the Commission is to develop new economic opportunities in Osceola County. The County has an ongoing financial responsibility to provide funding to the Commission for the Commission's continued existence. During the year ended June 30, 2013, the amount of money expended by the County for the Commission amounted to \$53,001 in support. Please see Note (7) to the Financial Statements for information on a general obligation loan that the County owes to the Osceola County Economic Development Commission. Financial information on the Commission is not included with the County's financial statements. Financial statements for the Commission may be obtained from the Commission's office in the Osceola County Courthouse in Sibley, Iowa.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following three categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or

privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The County Tax Increment Financing (Ethanol Plant - Plan Area Revenue) Fund is used to account for the collection of tax increment financing. The tax increment financing proceeds are being collected for the County's Urban Renewal District 1 Plan revenue capital loan notes debt service requirements.

The County Tax Increment Financing (Ethanol Plant - Revenue Surplus) Fund is used to account for the County's Urban Renewal District 1 Plan revenues in excess of the scheduled principal and interest payments on the revenue capital loan notes and the Reserve Fund requirement of \$284,500. Money in this fund is to be used for early redemption of the urban renewal revenue capital loan notes in \$5,000 increments on June 1st of each year.

The County Tax Increment Financing (Ethanol Plant - Principal and Interest Sinking) Fund is used to account for payments of principal and interest on the County's Urban Renewal District 1 Plan revenue capital loan notes.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

Separate financial statements for the discretely present component unit – Public Safety Commission are included as part of the supplementary information in the schedules.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The separate financial statements for the discretely present component unit – Public Safety Commission in the schedules are also reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current year. For this purpose, the County and Public Safety Commission consider revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County and the Public Safety Commission.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds (this also applies to the Public Safety Commission). Proceeds of general long-term debt and any acquisitions under capital leases are reported as other financing sources, as applicable.

Under the terms of grant agreements, the County and Public Safety Commission fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is both the County's and Public Safety Commission's policy to first apply cost-

reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances. The Public Safety Commission also follows this policy.

The County, as well as the Public Safety Commission, maintains its financial records on the cash basis. The financial statements of the County, including the Public Safety Commission, are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents, and Pooled Investments – The cash balances of most County and Public Safety Commission funds are pooled and invested. Interest earned on investments, including Public Safety Commission interest earnings per an agreement between the County and the Commission, is recorded in the General Fund, unless otherwise provided by law or agreement. Investments in the Iowa Public Agency Investment Trust are valued at amortized cost and non-negotiable certificates of deposit are stated at cost.

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenues are deferred in both the government-wide and fund financial statements and will not be recognized as revenues until the year for which each is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; are based on January 1, 2011 assessed property valuations; are for the tax accrual period July 1, 2012 through June 30, 2013 and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Accounts Receivable – Accounts receivable represents money owed to the County and/or Public Safety Commission, mainly for services provided by the County and/or the Public Safety Commission, which was not paid as of June 30, 2013. The accounts receivable in the County Offices Funds (Agency Funds) total includes \$133,576 in jail fees receivables and \$49,682 in ambulance charges receivables. These jail fees and ambulance charges receivables are owed by the County Offices Fund to the County's General Fund. It is possible that a large portion of the \$133,576 in jail fees and up to \$28,493 in ambulance charges receivables may not be collected within one year.

Due from Primary Government (County), Due from County's Agency Funds, Due from County's Governmental Funds, Due to Component Unit, Due to County's Governmental Funds and Due to Primary Government – During the course of its normal operations, the County has numerous transactions between the County's governmental funds, agency funds and the Public Safety Commission. To the extent that certain transactions between the County's governmental funds, agency funds and the Public Safety Commission had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Secondary Roads Fund consist mainly of expendable supplies held for consumption and some supplies available for resale. Inventories of the Secondary Roads Fund are recorded as expenses/expenditures when consumed or sold rather than when purchased.

Prepaid Expenses/Expenditures – Prepaid expenses/expenditures represent insurance coverages and other expenses/expenditures which will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles (when any) and infrastructure assets (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities and component unit – Public Safety Commission columns in the government-wide Statement of Net Position. Only costs related to infrastructure assets that are finished on or after July 1, 2004 are reported. Infrastructure assets finished on or before June 30, 2003 are not reported. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County and Public Safety Commission as assets with initial,

individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	25,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

Capital assets of the County and the Public Safety Commission are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Intangibles	3 – 40
Machinery and Equipment	3 – 20
Vehicles	5 – 15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved or other specific requirements are attained.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund and the Public Safety Commission financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of rent received in advance for months after the end of the fiscal year, property tax/tax increment financing receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which they are levied and rent received in advance for months after the end of the fiscal year.

Compensated Absences – County and Public Safety Commission employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements and the separate financial statements for the discretely presented component unit – Public Safety Commission in the schedules only for employees that have resigned, retired or employment has terminated for any other reason. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities of the County will be paid primarily by the General and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and any other long-term obligations are reported as liabilities in the applicable governmental activities and discretely presented component unit – Public Safety Commission Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources (when applicable). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (when applicable).

Fund Equity – In the County's governmental funds and Public Safety Commission financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors/Public Safety Commission Board through passage of an ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors/Public Safety Commission Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors/Public Safety Commission Board intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements did not exceed the amount budgeted for any function; however, a department's appropriation amount was not properly approved as being increased before actual disbursements exceeded the amount appropriated.

(2) **Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$593,060 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The Public Safety Commission's deposits and investments are commingled with County funds held by the County Treasurer and satisfy all the same requirements as the County's deposits and investments.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

(3) **Due from Primary Government (County), Due from County's Agency Funds, Due from County's Governmental Funds, Due to Component Unit, Due to County's Governmental Funds and Due to Primary Government**

The details of the receivables and payables between the County's governmental funds (primary government) and the discretely presented component unit – Public Safety Commission as of June 30, 2013 are as follows:

Receivable Fund	Payable Fund	Amount
Component Unit: Public Safety Commission	Unified Law Levy: Special Revenue	<u>\$ 6,274</u>

This balance results from the time lag between the time the unified law levy proceeds are received, the transactions are recorded in the accounting system and the resulting payments are made to the Public Safety Commission.

The detail of receivables and payables between the County's different governmental funds, between agency funds and the County's governmental funds and between agency funds and the Public Safety Commission for transactions at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: County T.I.F.	
	(Amended Ethanol – CEA Project)	\$ 82,686
	(Amended Ethanol – Grau Addition Project)	29,399
	Agency:	
	County Offices (Recorder, Sheriff, Ambulance and Auditor)	183,438
	Auto License and Use Tax	5,248
	Other (Flex Spending)	35
Special Revenue: Secondary Roads	Special Revenue: County Tax Increment Financing (Cenex Coop Project)	332,434
Component Unit: Public Safety Commission	Agency: County Offices (Sheriff)	432
	Total	\$ 633,717

These balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures occur and/or money is collected in an agency fund; the transactions/collections are recorded in the accounting system; and the resulting payments are made to the County's appropriate governmental fund or the Public Safety Commission.

The balances owed to the Secondary Roads Fund by the County Tax Increment Financing (Cenex Coop Project) Fund, and to the General Fund from the County T.I.F. (Amended Ethanol – CEA Project) and the County T.I.F. (Amended Ethanol - Grau Addition Project) Funds, are the result of interfund loans to help finance development projects within the County's designated urban renewal areas. Repayments will be made on these interfund loans as tax increment financing proceeds are received.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 785,026
County Tax Increment Financing (Ethanol Plant - Principal and Interest Sinking)	County Tax Increment Financing (Ethanol Plant - Plan Area Revenue)	237,500

County Tax Increment Financing
(Ethanol Plant - Revenue Surplus)

County Tax Increment Financing
(Ethanol Plant - Plan Area Revenue) 183,148

Total

\$ 1,205,674

Transfers generally move resources from the fund statutorily, or per the urban renewal (County T.I.F. – Ethanol Plant) revenue capital loan notes, required to collect the resources to the fund statutorily, or per the urban renewal (County T.I.F. – Ethanol Plant) revenue capital loan notes, required to expend the resources or to establish a surplus for the early retirement of the notes.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
County Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,496,356	45,000	(35,640)	1,505,716
Total Capital Assets Not Being Depreciated	1,496,356	45,000	(35,640)	1,505,716
Capital Assets Being Depreciated:				
Buildings and Improvements	919,378	133,168	0	1,052,546
Machinery, Equipment and Vehicles	*5,177,311	336,723	(98,452)	5,415,582
Infrastructure	*7,310,661	2,366,965	0	9,677,626
Total Capital Assets Being Depreciated	13,407,350	2,836,856	(98,452)	16,145,754
Less Accumulated Depreciation For:				
Buildings and Improvements	*451,663	27,680	0	479,343
Machinery, Equipment and Vehicles	*2,630,511	229,769	(68,044)	2,792,236
Infrastructure	1,015,875	451,998	0	1,467,873
Total Accumulated Depreciation	4,098,049	709,447	(68,044)	4,739,452
Total Capital Assets Being Depreciated, Net	9,309,301	2,127,409	(30,408)	11,406,302
Governmental Activities Capital Assets, Net	\$ 10,805,657	2,172,409	(66,048)	12,912,018

- Please note that the “Balance Beginning of the Year” was reclassified as follows:

	Balance Beginning of Year (Previously Reported)	Amount Reclassified	Balance Beginning of Year (Restated Total)
Capital Assets Being Depreciated:			
Machinery, Equipment and Vehicles	\$ 5,165,297	12,014	5,177,311
Infrastructure	7,322,675	(12,014)	7,310,661

Less Accumulated Depreciation For:

Building	450,590	1,073	451,663
Machinery, Equipment and Vehicles	2,631,584	(1,073)	2,630,511
Reclassified Reconciliation Totals	<u>\$ 15,570,146</u>	<u>0</u>	<u>15,570,146</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$ 17,587
County Environment and Education	33,767
Roads and Transportation	632,893
Governmental Services to Residents	11,705
Administration	13,495
Total Depreciation Expense – Governmental Activities	<u>\$ 709,447</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Discretely Presented Component Unit – Public Safety Commission:				
Capital Assets Depreciated:				
Machinery, Equipment and Vehicles	\$ 454,176	25,082	(59,452)	419,806
Less Accumulated Depreciation For:				
Machinery, Equipment and Vehicles	285,742	24,157	(51,432)	258,467
Public Safety Commission				
Capital Assets, Net	<u>\$ 168,434</u>	<u>925</u>	<u>(8,020)</u>	<u>161,339</u>

The County and the Public Safety Commission do not have any “intangible” capital assets as of June 30, 2013.

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax and other County tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services/Utilities	\$ 3,876
Special Revenue:		
Mental Health	Services	313,186
Secondary Roads	Utilities	73
		<u>313,259</u>
Total for Governmental Funds		<u>\$ 317,135</u>
Agency:		
County Offices (Recorder)	Collections	\$ 7,442
Agricultural Extension Education		123,766
County Assessor		319,761
Schools		5,674,969
Community Colleges		311,559
Corporations		1,619,085
Townships		134,383
Auto License and Use Tax		143,240
E911 Surcharge		148,177
Emergency Management Services		78,882
Other Funds		2,174
Total for Agency Funds		<u>\$ 8,563,438</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

County	Compensated Absences	Urban Renewal Revenue Capital Loan Notes	OCEDC General Obligation Loan	Osceola Electric Coop. General Obligation Loan
Balance Beginning of Year	\$ 67,339	1,250,000	107,875	221,400
Increases	76,007	0	0	0
Decreases	(72,530)	(375,000)	(4,577)	(36,900)
Balance End of Year	<u>\$ 70,816</u>	<u>875,000</u>	<u>103,298</u>	<u>184,500</u>
Due Within One Year	<u>\$ 70,816</u>	<u>195,000</u>	<u>4,787</u>	<u>36,900</u>

County (Continued)	Net OPEB Liability	Total
Balance Beginning of Year	\$ 33,919	1,680,533
Increases	29,647	105,654
Decreases	(0)	(489,007)
Balance End of Year	<u>\$ 63,566</u>	<u>1,297,180</u>
Due Within One Year	<u>\$ 0</u>	<u>307,503</u>

Component Unit-Public Safety Commission	Compensated Absences	Net OPEB Liability	Total
Balance Beginning of Year	\$ 64,129	20,300	84,429
Increases	33,361	0	33,361
Decreases	(43,670)	(1,328)	(44,998)
Balance End of Year	<u>\$ 53,820</u>	<u>18,972</u>	<u>72,792</u>
Due Within One Year	\$ 53,820	0	53,820

Urban Renewal Revenue Capital Loan Notes

The annual debt service requirements to maturity for the urban renewal revenue capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.40%	\$ 195,000	29,750	224,750
2015	3.40%	195,000	23,120	218,120
2016	3.40%	200,000	16,490	216,490
2017	*3.40%	200,000	9,690	209,690
2018	*3.40%	85,000	2,890	87,890
Total		<u>\$ 875,000</u>	<u>81,940</u>	<u>956,940</u>

During the year ended June 30, 2013, the County retired \$375,000 in urban renewal revenue capital loan notes and paid interest of \$42,500 on these notes. The \$417,500 in debt service requirement for these notes was recorded as an expenditure in the debt service function. These urban renewal revenue capital loan notes are being redeemed through the County Tax Increment Financing (Ethanol Plant - Principal and Interest Sinking) Fund (\$237,500) and the County Tax Increment Financing (Ethanol Plant - Revenue Surplus) Fund (\$180,000).

Note *: The interest rate for maturities starting in year ending June 30, 2016 shall be adjusted to 90 basis points above the rate published in the Wall Street Journal on Tuesday, July 1, 2014 for the annualized interest rate (weekly – average basis as reported by the Federal Reserve Board for the week previously ended) on the 5 – year Treasury Note.

The urban renewal revenue capital loan notes were issued for the purpose of paying the costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including road improvements, traffic and rail control devices and a grant to Otter Creek Ethanol, LLC, in the Osceola County Urban Renewal District 1 Plan Area. The notes are payable solely from the income and proceeds of the Special Revenue, County Tax Increment Financing (Ethanol Plant - Plan Area Revenue) Fund and the taxes paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The notes are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

The terms providing for the issuance of the revenue notes include the following provisions:

The entire income and revenues of this Urban Renewal Plan Area shall be deposited as collected in the County Tax Increment Financing (Ethanol Plant - Plan Area Revenue) Fund and shall be disbursed only as follows in the order in which the following funds are listed.

- (a) Principal and Interest Sinking Fund. The amount to be deposited in the Sinking Fund in any year shall be an amount equal to the interest and principal coming due on the notes during the fiscal year. Money in the Sinking Fund shall be used solely for the purpose of paying principal and interest on the notes as the notes become due and payable.
- (b) Reserve Fund. Money in the Revenue Fund shall next be disbursed to maintain a debt service reserve in an amount equal to the "Reserve Fund Requirement".

"Reserve Fund Requirement" shall mean an amount equal to the lesser of (a) the maximum annual amount of the principal and interest coming due on the notes and parity obligations; or (b) 10 percent of the stated principal amount of the notes and the parity obligations. There shall be deposited in the Reserve Fund an amount equal to 25 percent of the amount required to be deposited in the Sinking Fund; provided, however, that when the amount on deposit in the Reserve Fund shall be not less than the "Reserve Fund Requirement", no further deposits shall be made into the Reserve Fund except to maintain such level, and when the amount on deposit in the Reserve Fund is greater than the balance required above, such additional amounts shall be withdrawn and paid into the Revenue Fund. Money in the Reserve Fund shall be used solely for the purpose of paying principal at maturity of or interest on the notes and parity obligations for the payment of which insufficient money shall be available in the Sinking Fund. Whenever it shall become necessary to so use money in the Reserve Fund, the payments required above shall be continued or resumed until it shall have been restored to the required minimum amount. The "Reserve Fund Requirement" amount of \$284,500 was maintained during the entire fiscal year ended June 30, 2013.

- (c) Surplus Revenue. All money thereafter remaining in the Revenue Fund at the close of each month shall be deposited in the Surplus Revenue Fund and shall be used to pay or redeem an equal portion of the notes on June 1st of each year if the balance in this fund is \$5,000 or more.

Osceola County Economic Development Commission (OCEDC) General Obligation Loan

On February 28, 2008, the County entered into a loan agreement with the Osceola County Economic Development Commission (OCEDC) for \$140,000. This loan was used to purchase real estate known as the "Highpoint of Iowa" or "Hawkeye Point". This note payable carries a 4.5% interest rate. Payments are scheduled to be made on this note payable quarterly based on a 25 year payback schedule with a balloon payment due after 10 years. A summary of the County's June 30, 2013, OCEDC note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	4.50%	\$ 4,787	4,551	9,338
2015	4.50%	5,006	4,332	9,338
2016	4.50%	5,225	4,113	9,338
2017	4.50%	5,477	3,861	9,338
2018	4.50%	82,803	2,432	85,235
Total		<u>\$ 103,298</u>	<u>19,289</u>	<u>122,587</u>

During the year ended June 30, 2013, the County paid off principal of \$4,577 and interest of \$4,761 on this note. This loan is being repaid through the Rural Services Fund in the debt service function.

If default is made in the payment of this note, or if the OCEDC believes itself insecure, the entire principal and accrued interest may be declared due and payable by the OCEDC.

The interest rate during the default period is 10%. This note is secured by a real estate mortgage on the "Hawkeye Point" property. The "Hawkeye Point" property is recorded as a capital asset on the County's financial statements with a June 30, 2013 book value (capitalized cost of \$124,740 less accumulated depreciation of \$13,833) of \$110,907.

Osceola Electric Cooperative, Inc. General Obligation Loan

On September 14, 2007, the County entered into a loan agreement with the Osceola Electric Cooperative, Inc. for \$369,000 at a 0% interest rate through the Cooperative's revolving loan fund (Rural Economic Development Loan and Grant Program). The loan is payable in ten annual payments of \$36,900. The \$369,000 in loan proceeds was actually received in December 2008. The proceeds of the loan were used to purchase 41 acres of land near Highways 9 and 60 for economic development. Additionally, in September 2007, as a matching requirement for this 0% interest loan, the County made a \$69,000 contribution to the Osceola Electric Cooperative, Inc. out of the General Basic Fund. A summary of the County's June 30, 2013, Osceola Electric Cooperative, Inc. note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal
2014	0%	\$ 36,900
2015	0%	36,900
2016	0%	36,900
2017	0%	36,900
2018	0%	36,900
Total		<u>\$ 184,500</u>

During the year ended June 30, 2013, the County paid off principal of \$36,900 on this note (there is no interest). This loan is being repaid through the Rural Services Fund in the debt service function.

If any payment is made more than ten days after the due date, a late charge will be computed. If default is made in the payment of this note, the entire principal and a calculated accrued interest amount may be declared due and payable by the Cooperative.

(8) Pension and Retirement Benefits

The County and Public Safety Commission contribute to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County/Commission contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$158,365, \$154,625 and \$121,658 respectively, equal to the required contributions for each year. The Public Safety Commission's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$64,174, \$61,321 and \$55,151, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description. The County, including the Public Safety Commission, operates a single employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 56 (42 County and 14 Public Safety Commission) active and 2 retired members participating in the County's plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County and the Public Safety Commission. The County and the Public Safety Commission currently finance the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County and the Public Safety Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County and the Public Safety Commission, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County and the Public Safety Commission's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County and Public Safety Commission's net OPEB obligation:

	County's Governmental Activities	Public Safety Commission
Annual required contribution	\$ 37,156	\$ 6,006
Interest on net OPEB obligation	1,336	812
Adjustment to annual required contribution	(1,691)	(443)
Annual OPEB cost	36,801	6,375
Contributions made	(7,154)	(7,703)
Increase in net OPEB obligation	29,647	(1,328)
Net OPEB obligation beginning of year	33,919	20,300
Net OPEB obligation end of year	<u>\$ 63,566</u>	<u>\$ 18,972</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$7,154 and the Public Safety Commission contributed \$7,703 to the medical plan. Plan members eligible for benefits did not make any contributions.

The County's governmental activities annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 21,054	46.5%	\$ 22,558
2012	21,157	46.5%	33,919
2013	36,801	19.4%	63,566

The Public Safety Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 6,770	0.0%	\$ 13,586
2012	6,714	0.0%	20,300
2013	6,375	120.8%	18,972

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability of the County was \$216,548, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$216,548. The County's covered payroll (annual payroll of

active employees covered by the plan) was \$1,618,037 and the ratio of the UAAL to covered payroll was 13.4%. The actuarial accrued liability of the Public Safety Commission was \$70,314, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$70,314. The Public Safety Commission's covered payroll (annual payroll of active employees covered by the plan) was \$608,924 and the ratio of the UAAL to covered payroll was 11.5%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County and Public Safety Commission's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table. Projected to 2013 using Scale AA, annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012. Termination rates were set based on the historical experience of the County.

Projected claim costs of the medical plan are \$13,318 annually for retirees. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

Osceola County and the Public Safety Commission are exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County and Public Safety Commission assume liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years except for \$185,022 paid to a former employee in a wrongful termination lawsuit settlement.

(11) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2013, except for \$200 for the disposal of tires.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and post closure costs to the Agency have been estimated at \$3,033,042 as of June 30, 2013 and the portion of the liability that has been recognized by the Agency as of June 30, 2013 is \$1,819,825. The estimated remaining life of the landfill is 26 years and the capacity used at June 30, 2013 is approximately 60 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2013, assets of \$1,608,266 are restricted for these purposes.

The Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 113 of the Iowa Administrative Code by establishing a dedicated fund and funding it in accordance with GASB 18 funding rules (a local government guarantee and local government financial test in place for the unfunded amounts). Also, please see the Agency's audit report for note disclosure regarding litigation between the Agency and the Iowa Attorney General. The Iowa Attorney General is seeking penalties for supposed improperly sold waste disposal. No estimate has been made as to any possible future assessments to the County.

(12) Deficit Fund Balances

The Special Revenue, Mental Health Fund, had a deficit modified accrual fund balance of \$(174,388) at June 30, 2013. Demand and the related costs for Mental Health related services has continued to exceed the available revenue for many years. The County is diligently continuing evaluation of what options are available to address the financial stress of the Mental Health Fund, especially due to the unknowns brought about by a transition taking place in Iowa Mental Health operations at the county level due to the passage of Senate File 2315, the Mental Health and Disability (MH/DS) Redesign bill.

The Special Revenue, County Tax Increment Financing (Cenex Coop Project) Fund, had a deficit modified accrual fund balance of \$(332,434). This deficit balance is the result of road construction project costs in a County urban renewal area in excess of available funds. This deficit will be eliminated over a period of years upon collection of tax increment financing revenues.

The Special Revenue, County T.I.F. (Amended Ethanol – CEA Project) and County T.I.F. (Amended Ethanol – Grau Addition Project) Funds, had deficit modified accrual fund balances of \$(82,686) and \$(29,399), respectively. The deficit balances were the result of incurring qualifying expenditures in the urban renewal area before any revenue could be

collected. These deficits will be eliminated over a period of years upon collection of tax increment financing revenues.

(13) Commitments

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. In fiscal year ending June 30, 2014, the annual base charge will be revised to adjust for program costs and the annual base charge will be based on the estimated U.S. Census Bureau data from 2011. In fiscal year ending June 30, 2015 to June 30, 2016, the annual base charge will be revised to adjust to the actual U.S. Census Bureau population figures from 2011. In fiscal year ending June 30, 2017, the annual base charge will be adjusted to reflect the estimated U.S. Census Bureau population data for 2016. Assuming no revisions to the agreement for program costs or population base, the annual base charges for fiscal years ending June 30, 2014-17 would be \$5,493 per year for a total of \$21,972. The payments for these charges are scheduled to be paid through the County's General Fund or the Osceola County Emergency Management Services. The County's General Fund paid \$5,493 during the fiscal year ended June 30, 2013.

In June 2013, the County approved to enter into a short-term general obligation loan agreement with Sibley State Bank at an interest rate of 1.75%. The Sibley State Bank loan will be repaid in fiscal year 2013/2014 through the issuance of general obligation bonds not to exceed \$1,800,000 for County road improvements. It is intended that these bonds are to be repaid from tax increment financing proceeds.

In June 2013, the County approved to enter into a short-term general obligation loan agreement with Sibley State Bank at an interest rate of 1.75%. The Sibley State Bank loan will be repaid in fiscal year 2013/2014 through the issuance of general obligation bonds not to exceed \$275,000 for qualifying urban renewal project costs. It is intended that these bonds are to be repaid from tax increment financing proceeds.

(14) Contingencies

In May 2011, several County officials had been named in an action filed that alleges false arrest, malicious prosecution and intentional infliction of emotional distress. The County and the County's officials deny any liability in this dispute. The County does carry insurance coverage for this type of risk and this issue has been passed on to the insurance carrier's legal counsel. No amount for any possible liability is reflected in the County's financial statements.

(15) Subsequent Events

Events that have occurred subsequent to June 30, 2013, through the date of the audit report (June 30, 2014), include the following:

In July 2013, the Conservation department (General Basic Fund) entered into a loan agreement with John Deere Financial for the purchase of a tractor and loader through a 4 year, 0% interest rate loan in the amount of \$34,470.

In July 2013, the General Basic Fund made an economic development grant payment in the amount of \$252,915 to Alliant Energy to help defray the costs of a gas project.

In September 2013, the County accepted a bid in the amount of \$228,902 with for costs related to the Osceola County Enterprise Park. As of the audit report date, this project has not been started or paid due to weather/seasonal delays.

The County received loan advances from Sibley State Bank as approved in June 2013, as follows: \$103,751 on July 9, 2013; \$396,249 on July 29, 2013; and \$550,000 on October 15, 2013. These loan advances were used to pay qualifying urban renewal economic development related construction costs.

In December 2013, the County entered into a loan agreement with Banker's Trust for the issuance of General Obligation County Purpose Loan Agreement Anticipation Project Notes, Series 2013 in the amount of \$3,430,000 to be paid back over the course of 9 years with varying interest rates of 2-2.2%. Total proceeds of this loan were used to pay off the short-term Sibley State Bank loan plus interest in the amount of \$1,056,244, the outstanding urban renewal revenue capital loan notes (ethanol plant) plus interest in the amount of \$876,488, with the remainder of the proceeds being used for qualifying construction costs related to economic development in County urban renewal areas.

In February 2014, the County approved an interfund loan advance of \$108,000 from the General Fund to the Urban Revenue #5 T.I.F. Fund for qualifying costs incurred for a development project within the urban renewal area. The advance is payable, at 0% interest, over a period not to exceed seven fiscal years, commencing with the 2015-2016 fiscal year.

(16) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Osceola County
Required Supplementary Information

Osceola County

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances— Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year Ended June 30, 2013

	All County Governmental Funds - Actual	Less Funds Not Required to be Budgeted	County Governmental Funds - Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and Other County Tax	\$ 3,807,165	0	3,807,165	3,838,989	3,868,989	(61,824)
Interest and Penalty on Property Tax	11,762	0	11,762	0	0	11,762
Intergovernmental	2,762,789	0	2,762,789	2,823,157	2,883,213	(120,424)
Licenses and Permits	19,710	0	19,710	12,100	12,100	7,610
Charges for Service	354,560	0	354,560	280,520	280,520	74,040
Use of Money and Property	67,529	166	67,363	118,577	118,577	(51,214)
Miscellaneous	135,080	19,170	115,910	51,340	63,340	52,570
Total Receipts	7,158,595	19,336	7,139,259	7,124,683	7,226,739	(87,480)
Disbursements						
Public Safety and Legal Services	1,139,089	0	1,139,089	1,187,143	1,198,417	59,328
Physical Health and Social Services	202,814	0	202,814	237,450	269,059	66,245
Mental Health	517,931	0	517,931	693,480	729,480	211,549
County Environment and Education	652,508	0	652,508	559,434	689,034	36,526
Roads and Transportation	2,649,774	0	2,649,774	2,715,000	2,715,000	65,226
Governmental Services to Residents	277,623	0	277,623	284,988	288,788	11,165
Administration	728,758	0	728,758	703,952	767,952	39,194
Nonprogram Current	64,297	0	64,297	65,530	95,530	31,233
Debt Service	463,738	0	463,738	438,185	468,185	4,447
Capital Projects	248,944	18,377	230,567	285,000	285,000	54,433
Total Disbursements	6,945,476	18,377	6,927,099	7,170,162	7,506,445	579,346
Excess (Deficiency) of Receipts Over (Under) Disbursements	213,119	959	212,160	(45,479)	(279,706)	491,866
Other Financing Sources, Net	3,082	0	3,082	0	0	3,082
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	216,201	959	215,242	(45,479)	(279,706)	494,948
Balances Beginning of Year	2,889,776	97,596	2,792,180	2,400,052	2,400,052	392,128
Balances End of Year	\$ 3,105,977	98,555	3,007,422	2,354,573	2,120,346	887,076

See accompanying independent auditor's report.

Osceola County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 7,158,595	42,367	7,200,962
Expenditures	6,945,476	(10,320)	6,935,156
Net	213,119	52,687	265,806
Other Financing Sources, Net	3,082	0	3,082
Beginning Fund Balances	2,889,776	67,683	2,957,459
Ending Fund Balances	\$ 3,105,977	120,370	3,226,347

See accompanying independent auditor's report.

Osceola County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units (drainage districts) and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund (when applicable) and the Capital Projects Funds (when applicable). Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted receipts by \$102,056 and budgeted disbursements by a total of \$336,283. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board, for Emergency Management Services by the County Emergency Management Commission and for the Public Safety Commission by the Public Safety Commission Board. Please see Schedule 9 for financial information on the Public Safety Commission budget. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2013, disbursements did not exceed the amount budgeted for any function; however, a department's appropriation amount was not properly approved as being increased by a budget amendment before actual disbursements exceeded the amount appropriated for the department.

Osceola County

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Osceola County's Governmental Activities:

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	168,978	168,978	0.00%	1,333,157	12.7%
2011	July 1, 2009	\$0	168,978	168,978	0.00%	1,639,871	10.3%
2012	July 1, 2009	\$0	168,978	168,978	0.00%	1,574,276	10.7%
2013	July 1, 2012	\$0	216,548	216,548	0.00%	1,618,037	13.4%

Component Unit – Public Safety Commission:

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	44,511	44,511	0.00%	610,658	7.3%
2011	July 1, 2009	\$0	44,511	44,511	0.00%	527,119	8.4%
2012	July 1, 2009	\$0	44,511	44,511	0.00%	593,219	7.5%
2013	July 1, 2012	\$0	70,314	70,314	0.00%	608,924	11.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Osceola County
Supplementary Information

Osceola County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2013

Assets	County Recorder's Records Management	Unified Law Levy	Sheriff's Asset Forfeiture	County Attorney Incentive
Cash, Cash Equivalents and Pooled Investments	\$ 18,194	6,274	10,493	5,145
Receivables:				
Property Tax:				
Delinquent	0	71	0	0
Succeeding Year	0	385,919	0	0
Tax Increment Financing:				
Succeeding Year	0	0	0	0
Accrued Interest	5	0	0	0
Drainage Assessments	0	0	0	0
Due from Other Governments	0	0	0	258
Prepaid Expenditures	1,000	0	0	0
Total Assets	\$ 19,199	392,264	10,493	5,403
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 0	0	0	0
Due to County's Governmental Funds	0	0	0	0
Due to Component Unit	0	6,274	0	0
Deferred Revenue:				
Succeeding Year Property Tax	0	385,919	0	0
Succeeding Year Tax Increment Financing	0	0	0	0
Other	0	71	0	0
Total Liabilities	0	392,264	0	0
Fund Balances:				
Nonspendable:				
Prepaid Expenditures	1,000	0	0	0
Restricted For:				
Urban Renewal Purposes	0	0	0	0
Other Purposes	18,199	0	10,493	5,403
Unassigned	0	0	0	0
Total Fund Balances	19,199	0	10,493	5,403
Total Liabilities and Fund Balances	\$ 19,199	392,264	10,493	5,403

See accompanying independent auditor's report.

Schedule 1

County Tax Increment Financing (Cenex Coop Project)	County T.I.F. (Ethanol Plant - Revenue Reserve)	County T.I.F. (Amended Ethanol - CEA Project)	County T.I.F. (Amended Ethanol - Grau Addition Project)	Drainage Districts	Resource Enhancement and Protection	Case Management	Total
0	284,500	0	0	98,555	78,099	4,433	505,693
0	0	0	0	0	0	0	71
0	0	0	0	0	0	0	385,919
86,104	0	0	0	0	0	0	86,104
0	0	0	0	13	1	0	19
0	0	0	0	1,182	0	0	1,182
0	0	0	0	0	0	4,125	4,383
0	0	0	0	0	0	0	1,000
86,104	284,500	0	0	99,750	78,100	8,558	984,371
0	0	0	0	944	5,236	8,089	14,269
332,434	0	82,686	29,399	0	0	0	444,519
0	0	0	0	0	0	0	6,274
0	0	0	0	0	0	0	385,919
86,104	0	0	0	0	0	0	86,104
0	0	0	0	1,182	0	0	1,253
418,538	0	82,686	29,399	2,126	5,236	8,089	938,338
0	0	0	0	0	0	0	1,000
0	284,500	0	0	0	0	0	284,500
0	0	0	0	97,624	72,864	469	205,052
(332,434)	0	(82,686)	(29,399)	0	0	0	(444,519)
(332,434)	284,500	(82,686)	(29,399)	97,624	72,864	469	46,033
86,104	284,500	0	0	99,750	78,100	8,558	984,371

Osceola County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2013

	County Recorder's Records Management	Unified Law Levy	Sheriff's Asset Forfeiture	County Attorney Incentive	County Tax Increment Financing (Cenex Coop Project)
Revenues:					
Property and Other County Tax	\$ 0	366,991	0	0	0
Tax Increment Financing	0	0	0	0	87,277
Intergovernmental	0	20,497	4,050	0	0
Charges for Service	1,656	0	0	0	0
Use of Money and Property	22	0	0	0	0
Miscellaneous	0	0	200	4,187	0
Total Revenues	1,678	387,488	4,250	4,187	87,277
Expenditures:					
Operating:					
Public Safety and Legal Services	0	387,488	0	4,400	0
Mental Health	0	0	0	0	0
County Environment and Education	0	0	0	0	0
Governmental Services to Residents	4,939	0	0	0	0
Non-program Current	0	0	0	0	64,297
Capital Projects	0	0	0	0	0
Total Expenditures	4,939	387,488	0	4,400	64,297
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,261)	0	4,250	(213)	22,980
Fund Balances Beginning of Year	22,460	0	6,243	5,616	(355,414)
Fund Balance End of Year	\$ 19,199	0	10,493	5,403	(332,434)

See accompanying independent auditor's report.

County T.I.F. (Ethanol Plant - Revenue Reserve)	County T.I.F. (Amended Ethanol - CEA Project)	County T.I.F. (Amended Ethanol - Grau Addition Project)	Drainage Districts	Resource Enhancement and Protection	Case Management	Total
0	0	0	0	0	0	366,991
0	0	0	0	0	0	87,277
0	0	0	0	8,553	40,094	73,194
0	0	0	0	0	0	1,656
0	0	0	165	9	0	196
0	0	0	19,170	0	0	23,557
0	0	0	19,335	8,562	40,094	552,871
0	0	0	0	0	0	391,888
0	0	0	0	0	39,625	39,625
0	82,686	29,399	0	14,206	0	126,291
0	0	0	0	0	0	4,939
0	0	0	0	0	0	64,297
0	0	0	15,703	15,492	0	31,195
0	82,686	29,399	15,703	29,698	39,625	658,235
0	(82,686)	(29,399)	3,632	(21,136)	469	(105,364)
284,500	0	0	93,992	94,000	0	151,397
284,500	(82,686)	(29,399)	97,624	72,864	469	46,033

Osceola County

**Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds**

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, Cash Equivalents and Pooled Investments:					
County Treasurer	\$ 0	1,915	149,356	88,216	4,186
Other County Officials	8,099	0	0	0	0
Receivables:					
Property Tax:					
Delinquent	0	100	133	4,364	255
Succeeding Year	0	121,751	162,679	5,582,389	307,118
Tax Increment Financing:					
Succeeding Year	0	0	0	0	0
Accounts	183,258	0	0	0	0
Accrued Interest	0	0	0	0	0
Special Assessments	0	0	0	0	0
Due from Other Governments	0	0	49	0	0
Prepaid Expenses	0	0	13,228	0	0
Total Assets	\$ 191,357	123,766	325,445	5,674,969	311,559
Liabilities					
Accounts Payable	\$ 0	0	136	0	0
Salaries and Benefits Payable	0	0	0	0	0
Due to Primary Government	183,483	0	0	0	0
Due to Component Unit	432	0	0	0	0
Due to Other Governments	7,442	123,766	319,761	5,674,969	311,559
Trusts Payable	0	0	0	0	0
Compensated Absences	0	0	5,548	0	0
Total Liabilities	\$ 191,357	123,766	325,445	5,674,969	311,559

See accompanying independent auditor's report.

Corporations	Townships	Auto	E911	Emergency	Future	Other	Total
		License and Use Tax		Management Services	Tax Collections		
21,974	2,395	148,488	171,446	79,404	68,342	838	736,560
0	0	0	0	0	0	467	8,566
4,526	37	0	0	0	0	1	9,416
1,311,311	131,951	0	0	0	0	1,342	7,618,541
281,274	0	0	0	0	0	0	281,274
0	0	0	7,590	0	0	0	190,848
0	0	0	2	0	0	0	2
0	0	0	0	0	0	1,741	1,741
0	0	0	0	0	0	0	49
0	0	0	0	18	0	0	13,246
1,619,085	134,383	148,488	179,038	79,422	68,342	4,389	8,860,243
0	0	0	30,861	257	0	0	31,254
0	0	0	0	283	0	0	283
0	0	5,248	0	0	0	35	188,766
0	0	0	0	0	0	0	432
1,619,085	134,383	143,240	148,177	78,882	0	2,174	8,563,438
0	0	0	0	0	68,342	2,180	70,522
0	0	0	0	0	0	0	5,548
1,619,085	134,383	148,488	179,038	79,422	68,342	4,389	8,860,243

Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities Agency Funds

Year Ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools
Assets and Liabilities					
Balances Beginning of Year	\$ 178,464	117,403	242,195	70,755	5,501,892
Additions:					
Property and Other County Tax (Including T.I.F.)	0	121,732	162,649	0	5,413,021
State Tax Credits	0	6,636	9,339	0	305,438
Intergovernmental Replacements, Grants and Revenues	11,483	111	247	0	4,951
Contribution from Osceola County	0	0	0	0	0
Loan from Osceola County	0	0	0	0	0
E911 Surcharge/State Wireless	0	0	0	0	0
Permits	3,900	0	0	0	0
Office Fees and Collections	563,301	0	1,302	0	0
Electronic Transaction Fee	0	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0	0
Interest	22	0	0	0	0
Assessments	0	0	0	0	0
Trusts	6,136	0	0	0	0
Insurance Proceeds	5,862	0	0	0	0
Miscellaneous	860	0	0	0	0
Sale of Capital Assets	1,815	0	0	0	0
Transfer from County Assessor - Special Appraisers Fund	0	0	70,755	0	0
Total Additions	593,379	128,479	244,292	0	5,723,410
Deductions:					
Agency Remittances:					
To Other Funds/Component Unit/Other Agency Funds	324,427	0	0	70,755	0
To Other Governments	249,923	122,116	161,042	0	5,550,333
Trusts Paid Out	6,136	0	0	0	0
Total Deductions	580,486	122,116	161,042	70,755	5,550,333
Balances End of Year	\$ 191,357	123,766	325,445	0	5,674,969

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Other	Total
260,982	1,439,263	124,726	134,517	255,951	69,585	35,504	3,254	8,434,491
307,023	1,588,220	131,971	0	0	0	0	1,341	7,725,957
14,495	92,557	7,536	0	0	0	0	73	436,074
250	1,867	99	0	0	2,274	0	1	21,283
0	0	0	0	0	30,000	0	0	30,000
0	0	0	0	0	0	0	3,000	3,000
0	0	0	0	68,524	0	0	0	68,524
0	0	0	0	0	0	0	0	3,900
0	0	0	0	19	0	0	0	564,622
0	0	0	0	0	0	0	1,656	1,656
0	0	0	2,150,295	0	0	0	0	2,150,295
0	0	0	0	24	0	0	0	46
0	0	0	0	0	0	0	8,956	8,956
0	0	0	0	0	0	68,063	107,208	181,407
0	0	0	0	0	0	0	0	5,862
0	0	0	0	0	0	0	0	860
0	0	0	0	0	0	0	0	1,815
0	0	0	0	0	0	0	0	70,755
321,768	1,682,644	139,606	2,150,295	68,567	32,274	68,063	122,235	11,275,012
0	0	0	72,225	0	0	0	3,000	470,407
271,191	1,502,822	129,949	2,064,099	145,480	22,437	0	11,270	10,230,662
0	0	0	0	0	0	35,225	106,830	148,191
271,191	1,502,822	129,949	2,136,324	145,480	22,437	35,225	121,100	10,849,260
311,559	1,619,085	134,383	148,488	179,038	79,422	68,342	4,389	8,860,243

Osceola County

Balance Sheet
Component Unit – Public Safety Commission

June 30, 2013

Assets

Cash, Cash Equivalents and Pooled Investments	\$ 235,821
Due from Primary Government (County)	6,274
Due from County's Agency Funds	432
Prepaid Expenditures	<u>14,549</u>
Total Assets	<u><u>\$ 257,076</u></u>

Liabilities and Fund Balance**Liabilities:**

Accounts Payable	\$ 5,830
Salaries and Benefits Payable	420
Accrued Compensated Absences	5,005
Due to Other Governments	2,640
Deferred Revenue:	
Other	<u>432</u>
Total Liabilities	<u><u>14,327</u></u>

Fund Balance:

Nonspendable:	
Prepaid Expenditures	14,549
Unassigned	<u>228,200</u>
Total Fund Balance	<u><u>242,749</u></u>

Total Liabilities and Fund Balance	<u><u>\$ 257,076</u></u>
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See accompanying independent auditor's report.

Osceola County

**Reconciliation of the Balance Sheet
to the Statement of Net Position
Component Unit – Public Safety Commission**

June 30, 2013

Total Component Unit Fund Balance (page 72) \$ 242,749

Amounts reported for the component unit in the Statement of Net Position are different because:

Capital assets used in the component unit are not current financial resources and, therefore, are not reported in the Public Safety Commission's Balance Sheet. The cost of assets is \$419,806 and the accumulated depreciation is \$258,467. 161,339

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the Commission's Balance Sheet. 432

Long-term liabilities, which include compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the Commission's Balance Sheet. (72,792)

Net Position of Component Unit (pages 19-20) \$ 331,728

See accompanying independent auditor's report.

Osceola County

**Schedule of Revenues, Expenditures and
Change in Fund Balance
Component Unit – Public Safety Commission**

Year Ended June 30, 2013

Revenues:

Intergovernmental	\$ 1,001,447
Charges for Service	22,022
Miscellaneous	<u>14,688</u>
Total Revenues	<u><u>1,038,157</u></u>

Expenditures:

Operating:

Law Enforcement:

Uniformed Patrol Services	611,205
Investigations	150
Law Enforcement Communications	221,811
Administration	210,417

Central Services:

Information Tech Services	5,837
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Risk Management Services:

Tort Liability and Safety of the Workplace	<u>24,798</u>
--------------------------------------------	---------------

Total Expenditures	<u><u>1,074,218</u></u>
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Deficiency of Revenues Under Expenditures	(36,061)
--------------------------------------------------	----------

Other Financing Source:

Sale of Capital Assets	<u>1,716</u>
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Deficiency of Revenues and Other

Financing Source Under Expenditures	(34,345)
--------------------------------------------	----------

Fund Balance Beginning of Year	<u>277,094</u>
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Fund Balance End of Year	<u><u>\$ 242,749</u></u>
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See accompanying independent auditor's report.

Osceola County

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Component Unit – Public Safety Commission**

Year Ended June 30, 2013

Net Change in Fund Balance - Component Unit (page 74) **\$ (34,345)**

***Amounts reported for the component unit in the Statement of
Activities are different because:***

The component unit reports capital outlays as expenditures in the Statement of Revenues, Expenditures and Change in Fund Balance while the component unit in the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 25,082	
Depreciation expense	(24,157)	925

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the Statement of Revenues, Expenditures and Change in Fund Balance, the proceeds from the disposition of capital assets is reported as an increase in financial resources.

(8,020)

Because some revenues will not be collected for several months after the Public Safety Commission's year end, they are not considered available revenues and are deferred in the Statement of Revenues, Expenditures and Change in Fund Balance as follows:

Other	(596)
-------	--------

Some accrued expenses decreased from the prior fiscal year; therefore, these expenses need to be decreased in the current year's Statement of Activities. Since certain accrued expenses do not require the use of current financial resources in the prior or the current year, these expenditures are not reported in the Statement of Revenues, Expenditures and Change in Fund Balance, as follows:

Compensated absences	10,309	
Other postemployment benefits	<u>1,328</u>	<u>11,637</u>

Change in Net Position of Component Unit (pages 21-22) **\$ (30,399)**

See accompanying independent auditor's report.

Osceola County
Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances—
Budget and Actual (Cash Basis) & Budget to GAAP Reconciliation
Component Unit – Public Safety Commission

Year Ended June 30, 2013

<u>Budget to Actual Comparison:</u>	Actual	Original Adopted Budget	Budget to Actual Variance
Receipts:			
County Contribution	\$ 198,417	198,417	0
City Contribution	412,002	412,082	(80)
Unified Law Levy	387,891	387,073	818
Other Receipts	40,250	31,000	9,250
Total Receipts	1,038,560	1,028,572	9,988
Disbursements:			
Uniformed Patrol Services	609,984	635,600	25,616
Law Enforcement Communications	213,576	225,200	11,624
Administration	210,220	215,400	5,180
Other	30,813	23,500	(7,313)
Total Disbursements	1,064,593	1,099,700	35,107
Deficiency of Receipts Under Disbursements	(26,033)	(71,128)	45,095
Other Financing Source	1,716	0	1,716
Deficiency of Receipts and Other Financing Source Under Disbursements	(24,317)	(71,128)	46,811
Balances Beginning of Year	260,138	189,083	71,055
Balances End of Year	\$ 235,821	117,955	117,866

Note: Although the budget document presents disbursements by program, the legal level of control is at the aggregated total of all disbursements, not by program. During the fiscal year, there were no budget amendments.

<u>Reconciliation:</u>	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 1,038,560	(403)	1,038,157
Expenditures	1,064,593	9,625	1,074,218
Net	(26,033)	(10,028)	(36,061)
Other Financing Source	1,716	0	1,716
Beginning Fund Balances	260,138	16,956	277,094
Ending Fund Balances	\$ 235,821	6,928	242,749

See accompanying independent auditor's report.

Osceola County

**Schedule of Revenues by Source and Expenditures by Function --
All Governmental Funds**

For the Last Ten Years

	Modified			
	2013	2012	2011	2010
Revenues:				
Property and Other County Tax	\$ 3,302,743	2,997,555	2,854,959	2,574,397
Tax Increment Financing	504,503	464,851	496,086	389,348
Interest and Penalty on Property Tax	11,790	16,332	24,465	28,587
Intergovernmental	2,810,620	2,929,449	3,004,066	2,956,720
Licenses and Permits	19,520	24,313	16,240	17,775
Charges for Service	352,121	336,983	356,065	361,642
Use of Money and Property	65,726	68,027	81,376	84,106
Miscellaneous	133,939	78,992	113,088	157,960
Total Revenues	\$ 7,200,962	6,916,502	6,946,345	6,570,535
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 1,144,795	1,300,489	1,155,129	1,023,045
Physical Health and Social Services	210,238	219,324	245,644	280,640
Mental Health	519,864	813,627	691,005	745,270
County Environment and Education	692,220	364,262	350,789	428,044
Roads and Transportation	2,573,438	2,668,495	2,740,145	2,320,555
Governmental Services to Residents	276,902	278,909	249,553	234,001
Administration	727,801	678,985	689,563	665,562
Nonprogram Current	64,297	65,543	69,564	0
Debt Service	463,738	424,788	451,365	376,862
Capital Projects	261,863	174,100	235,583	244,676
Total Expenditures	\$ 6,935,156	6,988,522	6,878,340	6,318,655

See accompanying independent auditor's report.

Accrual				Basis	
2009	2008	2007	2006	2005	2004
2,432,660	2,369,853	2,329,758	2,221,623	2,049,051	2,157,197
349,325	323,713	320,185	210,292	0	0
18,319	15,725	14,166	13,275	8,324	10,054
3,099,186	2,488,781	2,384,880	2,331,151	2,339,771	2,310,475
16,580	20,973	17,210	10,750	9,113	6,023
282,757	258,441	271,659	225,263	250,401	226,598
117,326	197,159	207,348	177,756	123,817	84,301
117,851	89,776	69,472	28,752	31,509	38,024
6,434,004	5,764,421	5,614,678	5,218,862	4,811,986	4,832,672
993,477	989,801	982,964	930,874	850,645	782,569
261,231	143,070	129,747	126,981	121,043	130,769
685,581	792,245	678,848	532,029	524,588	481,889
340,781	434,717	300,820	379,376	2,684,018	249,974
2,436,760	2,335,424	1,900,778	2,250,666	1,644,789	1,913,113
280,276	222,734	198,224	307,555	197,544	151,508
722,417	706,932	605,044	598,664	557,568	559,522
0	0	0	0	0	0
356,750	306,913	312,088	210,913	110,836	68,411
481,479	1,115,557	506,008	462,538	251,478	184,549
6,558,752	7,047,393	5,614,521	5,799,596	6,942,509	4,522,304

Osceola County

**Schedule of Revenues by Source and Expenditures by Program --
Component Unit -- Public Safety Commission**

For the Last Ten Years

	Modified		Accrual					Basis		
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Intergovernmental	\$ 1,001,447	958,246	946,441	947,382	930,885	868,725	842,103	875,389	801,430	781,815
Charges for Service	22,022	27,018	27,127	24,110	23,962	22,958	29,534	24,531	19,090	22,173
Miscellaneous	14,688	3,358	8,587	6,506	5,629	9,959	22,729	4,875	1,630	2,849
Total Revenues	\$1,038,157	988,622	982,155	977,998	960,476	901,642	894,366	904,795	822,150	806,837
Expenditures:										
Operating:										
Uniformed Patrol Services	\$ 611,205	558,041	605,821	535,673	519,494	563,796	530,450	501,156	506,787	515,636
Investigations	150	0	0	0	0	500	183	2,992	0	0
Law Enforcement Communications	221,811	215,520	207,216	193,264	181,136	179,810	162,298	160,028	190,821	184,783
Administration	210,417	203,377	201,313	192,512	190,665	171,432	163,347	156,285	163,196	137,625
Information Tech Services	5,837	0	2,231	322	400	1,873	798	319	4,731	3,042
Tort Liability and Safety of the Workplace	24,798	18,749	18,435	13,407	18,351	13,818	11,891	11,855	13,331	12,914
Total Expenditures	\$1,074,218	995,687	1,035,016	935,178	910,046	931,229	868,967	832,635	878,866	854,000

See accompanying independent auditor's report.

Osceola County

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

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Iowa Society - Certified Public Accountants

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Independent Auditor's Report on **Internal Control over Financial Reporting and on Compliance and Other Matters** **Based on an Audit of Financial Statements Performed in Accordance with** **Government Auditing Standards**

To the Officials of Osceola County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Osceola County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Osceola County's internal control. Accordingly, we do not express an opinion on the effectiveness of Osceola County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in Osceola County's internal control described in the accompanying Schedule of Findings as items 13-A, B, D, E, F, I and J to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged

with governance. We consider the deficiencies in Osceola County's internal control described in the accompanying Schedule of Findings as items 13-C, G, H, K, L and M to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osceola County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Osceola County's Responses to Findings

Osceola County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Osceola County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Osceola County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

De Noble, Austin & Company PC

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants

June 30, 2014

Osceola County
Schedule of Findings

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- 13-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in several offices may have control over handling assets, financial transactions, record-keeping and reconciling functions, for which no compensating controls exist.

We also noted that checks do not require dual signatures to be issued.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a. All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared by an independent person to the cash receipt records and to the actual deposit that should be made by an independent person.
- b. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
- c. A person who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments and reconcile documents to the investment records. In addition, reconciliations of delinquencies, abatement of taxes and monthly auto license and use tax reports should be done by independent people.
- d. Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks.
- e. Supplies and capital assets ordered should be received by someone other than the person who initiated the order. The person responsible for making sure that all items ordered are received and the proper amounts are charged should be separate from the purchasing and cash disbursement functions.
- f. Authorization of transactions, handling of source documents and custody of assets should be segregated. Billings for services, the recordkeeping of accounts receivable and the handling of cash receipts should also be segregated. The billing rates should be verified by an independent individual.
- g. Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

- h. Long-term debt records should be maintained by an individual who does not perform any cash functions. Notes/loans that have been paid should be reconciled to the note/loan records by an independent person.
- i. All checks issued should be analyzed by an independent person to verify that the numerical sequence is accurate and all checks are accounted for. This should apply to both computer generated and handwritten checks.
- j. Payroll records, including comp time, vacation and sick leave earned and accumulated, should be maintained or reviewed by an independent person.
- k. Complete, detailed personnel records should be maintained outside the payroll section. The personnel records should periodically be compared to the actual payroll by an independent individual.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons, to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review. These recommendations, as applicable, do apply to the Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

Response – We will encourage each department/entity to utilize existing personnel within the County/each entity to help in achieving additional segregation of duties. We will implement as economically practicable (we will segregate within staff size limitations).

Conclusion – Response acknowledged. However, it is important that you do thoroughly review your procedures and attempt to implement these recommendations. Please consider using personnel from other departments/related entities to assist with reviews.

- 13-B Capital Assets/Inventory – During our audit, we came across capital assets that needed to be added to and deleted from the capital assets subsidiary records. We also came across capital assets where the book value, net of accumulated depreciation, had to be adjusted to reconcile with the prior fiscal year's records. There is no periodic inspection of capital assets/inventory formally being performed by an independent person. Capital assets are not marked for identification purposes. Records of inventory quantities are not maintained on a perpetual basis.

Recommendation – Each County office, the Public Safety Commission, the County Assessor, Emergency Management and E911 should be responsible for assisting the Auditor's Office, on a monthly basis, with accumulating the necessary information in order to keep the capital assets records current. On a yearly basis, an authorized independent person should be responsible for verifying the existence of the capital assets/inventory under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions. Inventory records need to be developed that allows the County the capacity to monitor the reasonableness of the inventory quantities on an on-going basis.

Response – We will begin the process of developing procedures that will implement the various components of this recommendation.

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

Conclusion – Response accepted. However, it is important that this issue is addressed and procedures are developed in a timely manner.

- 13-C Accounting Procedures Manual – The County does not have an accounting procedures manual for all aspects of the County's accounting systems (mainly some of the individual offices).

Recommendation – Accounting procedures manuals should be prepared/updated and implemented for all aspects of the County's accounting systems.

Response – We will attempt to have each appropriate office develop an accounting procedure manual that is current with existing procedures.

Conclusion – Response acknowledged. However, please stress to each appropriate office the importance of actually developing an manual in the near future.

- 13-D Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies that require:

- daily off-site storage for backup tapes for all aspects of the County's accounting systems.
- password changes because software does not require the user to change log- ins/passwords periodically.
- password length to be set at a minimum of at least eight characters and require use of multiple characters on the keyboard.
- automatic log-off provisions when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.
- special passwords to change pay rates.
- unique user IDs versus group user IDs.

Recommendation – Written policies should be developed addressing the aforementioned information system issues in order to improve the control over computer based systems. This recommendation, as applicable, does apply to the Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

Response – We will work on implementing these computer related policies in all offices/entities. We will seek assistance from Solutions and any other software providers to address these recommendations.

Conclusion – Response acknowledged. However, please work on implementing these information system recommendations in the near future.

- 13-E Job Rotations – Financial personnel's duties are not always rotated for a period of time each fiscal year.

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and have each person's duties performed by another employee when a person is on vacation. Employees should be cross-trained to be able to perform a fellow employee's duties. This recommendation does apply to the Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

Response – We will have each office/entity work on rotating duties and cross-training within economic constraints.

Conclusion – Response acknowledged. However, please stress the importance of implementing this recommendation. Employees from other offices/departments could be used to implement this recommendation.

- 13-F **Collection Procedures/Write-Off of Bad Debt** – The County does not have any written policies or procedures on collecting delinquent non-property tax receivables or on approval for write-off of bad debt.

Recommendation – The County needs to develop written policies and procedures regarding collection of delinquent non-property tax receivables/approval for write-off of bad debt (which needs to be documented in the Board minutes).

Response – We will attempt to develop policies and procedures for collection of receivables and will document in the Board minutes any approval to stop collection procedures on bad debts.

Conclusion – Response acknowledged. Please implement this recommendation in a timely manner.

- 13-G **Vehicle Usage/Fuel Test** – When filling courthouse or conservation vehicles with fuel, the vehicle's identification and the mileage at the time of fueling are not always noted on the receipt. Vehicle mileage should be compared to fuel consumption on a regular basis by an independent person.

Recommendation – When filling courthouse or conservation vehicles with fuel, the vehicle's identification and the mileage at the time of fueling should be noted on the receipt. Mileage logs should be kept on each vehicle, tested against the fuel charged to each vehicle to verify reasonableness and any differences/variations noted should be investigated.

Response – We will have the appropriate County departments attempt to implement this.

Conclusion – Response acknowledged. Please have the appropriate offices implement this recommendation.

- 13-H **Ambulance Records** – The ambulance run reports are not prenumbered. Additionally, the ambulance records maintained in QuickBooks are not reconciled on a regular basis to the billing company's records, the accounts in the offset program and the prior year outstanding receivables.

Recommendation – The ambulance run reports should be prenumbered and the numerical sequence should be monitored for completeness. A system should be developed to have an

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

independent person reconcile the QuickBooks records to the the billing company's records, the accounts in the offset program and the prior year outstanding receivables.

Response – We will have the ambulance personnel address this.

Conclusion – Response acknowledged. Please work with the ambulance personnel to get this implemented.

- 13-I Financial Reporting – During the audit, we identified material amounts of assets, liabilities, revenues/receipts and expenses/expenditures/disbursements not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all assets, liabilities, revenues/receipts and expenses/expenditures/disbursements are identified and included in the County' financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted. Please perform an evaluation of your financial reporting procedures.

- 13-J Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County's expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County management needs to review audit findings identified and assess the level of risk associated with each finding and incorporate this assessed level of risk into its development of policies and procedures. County management also needs to communicate the County's expected ethics and hold County employees accountable to those expected ethics.

Response – We will work on implementing your recommendations.

Conclusion – Response accepted. Please have each of the offices/entities evaluate what procedures can be developed to implement our recommendations.

- 13-K Payroll Issues – We noted that several salaried employees are not completing timesheets or having a supervisor sign the time sheet to attest to the timesheet's accuracy. We also noted there was excess vacation carried over without having proper approval.

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

Recommendation – Timesheets should be prepared and signed to attest to the accuracy of the timesheets by all personnel. The timesheets should be reviewed and approved by a supervisor or an independent person before issuing payment for the payroll period. Formal proof of the review and approval of a timesheet should be established by having the independent person initial each timesheet. Procedures should be implemented that help to ensure vacation carryover balances comply with adopted policies unless the appropriate Board formally approved the variance in the Board minutes.

Response – The County will evaluate its payroll procedures, especially in regards to timesheets and vacation carryover, in order to implement your recommendations.

Conclusion – Response accepted.

- 13-L Drainage Assessments – Osceola has a joint drainage project in correlation with Dickinson County. Dickinson County never properly assessed the landowner the proper drainage assessment and never paid Osceola County for Dickinson's share of the drainage assessment.

Recommendation – The County should implement procedures to ensure that billings are sent out and money is collected from other counties on joint drainage projects in a timely manner.

Response – We will implement procedures to make sure that we bill and collect for all drainage assessments even if another county needs to assess the landowner and remit the assessment to us.

Conclusion – Response accepted.

- 13-M Emergency Management and E911 Board Minutes – The Emergency Management and E911 Board minutes do not always report that the prior meeting minutes are proper as printed.

Recommendation – The Emergency Management and E911 Board prior meeting's minutes should be approved in the text of the minutes at the next meeting to verify accuracy of the written minutes.

Response – We will attempt to have these Boards comply with your recommendations.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

Other Findings Related to Required Statutory Reporting:

- 13-1 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amount budgeted for any function; however, a department's appropriation was not properly approved as being increased before actual disbursements exceeded the amount appropriated.

Recommendation – An increase to a department's appropriation should have been approved in accordance with Chapter 331.437 of the Code of Iowa before disbursements were allowed to exceed the amount appropriated the department.

Response – County personnel will monitor departmental disbursements and increase appropriations, when determined needed, in accordance with the Code of Iowa in the future.

Conclusion – Response accepted.

- 13-2 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented or the necessary documentation to support the expenditure was not present. These expenditures are detailed as follows:

We noted several credit card charges and employee reimbursements which did not have any supporting documentation/invoice (this was also an issue that we found with some Assessor and Emergency Management claims). We noted where finance charges were being paid. The \$30/day meal allowance was exceeded. We also noted some instances where sales tax was paid on purchases that appear to be exempt from sales tax.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The County should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures requiring detailed supporting documentation for all expenditures. All disbursements, including credit card charges and employee reimbursements, should be supported by an actual receipt/invoice that supports the charge in detail. The County policy of \$30/day meal allowance should be complied with and not be allowed to be exceeded without written approval from the Board. Please make sure you are only paying sales tax on required purchases and not paying finance charges.

Response – We will stress to employees the need to retain invoices that support all expenditures (including all credit card charges and employee reimbursements), to make sure sales tax is not being charged when not required and the need to follow the County's \$30/day meal allowance, as well as not paying unnecessary fees.

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

Conclusion – Response accepted. Please stress the importance of needing to maintain detailed support for all charges, complying with the County meal allowance policy and reducing unnecessary costs.

13-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: 13-2” for a possible related comment.

13-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rick Echter, Husband of Barb Echter – County Auditor Owner of Echter’s Greenhouse	Lawn products and plants	\$ 298
Jason Vandehoef Board of Supervisors Partner in Bosma Water Service	Water	934
Adam Sandersfeld Son of Merlyn Sandersfeld – Board of Supervisors	Stump grinding	773

Business transactions between the Public Safety Commission and Public Safety Commission Board members or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Arlyn Pedley, Public Safety Commission Board Member Owner of The Press	Publications, advertising and office supplies	\$ 1,413

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Echter’s Greenhouse, Bosma Water Service, Adam Sandersfeld and The Press do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. Also, The Press is considered an “official” Public Safety Commission newspaper and the majority of the costs were for required publications/advertising.

13-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

- 13-6 Board Minutes — No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not, except for a couple short-term interfund loans issued during fiscal year 2013 from the General Fund to the Flex Spending Fund.

Recommendation — In accordance with Chapter 331.477 of the Code of Iowa, a short-term interfund loan should be formally approved by the Board by passing a resolution and the interfund loan needs to be repaid by the end of the fiscal year in which the loan was issued.

Response — We will have the Board approve all interfund loans in the Board minutes in the future.

Conclusion — Response accepted. Please make sure flex spending short-term loans do get approved in the minutes by passing a resolution.

- 13-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 13-8 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 13-9 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review the "Findings Related to the Financial Statements – Internal Control Deficiencies" for reportable conditions that relate to the Extension or could improve the Extension's internal control.

We noted incorrect amounts/errors in the end of the year carryover calculation. While the incorrect amounts/errors did not end up changing the final results (the Extension complied with the Iowa Code for ending balance maximum carryover requirements), Iowa State University Extension is carrying the wrong balance forward.

Recommendation – The corrections to the end of year carryover compliance report need to be recorded and submitted to Iowa State University Extension to ensure that balances used in future reports are correct going forward.

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

Response – We will make the corrections and submit the corrections to the necessary department in order to have proper carryover beginning balances in the future.

Conclusion – Response accepted.

- 13-10 Urban Renewal Annual Report – The County’s urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1; however, the “T.I.F. Levy Authority” reports filed with the State’s Department of Management contained errors on the Otter Creek urban renewal area.

Recommendation – The County needs to inform the Iowa Department of Management of the errors and inquire about what the County needs to do to get the errors corrected.

Response – We will be in contact with the State and make the necessary adjustments so our reports are correct.

Conclusion – Response accepted.

- 13-11 Public Safety Commission Funding – The Public Safety Commission is currently using more of a “how much can each entity afford to contribute” approach for member funding rather than the statutory allowed funding methods.

Recommendation – The Public Safety Commission should comply with Chapter 28E.23 of the Code of Iowa for member funding. The Public Safety Commission needs to develop a budget for member funding that complies with the Iowa Code or pass legislation to amend Chapter 28E.23 of the Code of Iowa to correlate with the method currently being followed by the Public Safety Commission.

Response – The Public Safety Commission is working on developing member funding that will comply with the Code of Iowa.

Conclusion – Response acknowledged.

- 13-12 Financial Conditions – The Mental Health Fund had a deficit fund balance at June 30, 2013 of \$174,388, the County T.I.F. (Amended Ethanol CEA Project) Fund had a deficit fund balance at June 30, 2013 of \$82,686, the County T.I.F. (Amended Ethanol Grau Addition Project) Fund had a deficit fund balance at June 30, 2013 of \$29,399 and the County Tax Increment Financing (Cenex Coop Project) Fund had a deficit fund balance at June 30, 2013 of \$332,434.

Recommendation – The County should investigate alternatives to eliminate these deficit fund balances in order to return these funds to a sound financial position.

**Osceola County
Schedule of Findings
Year Ended June 30, 2013**

Response – We are making every effort to evaluate what our options are in order to eliminate the Mental Health deficit. Tax increment financing collections are going to be used to eventually eliminate the deficit in the other urban renewal (T.I.F.) funds.

Conclusion – Response accepted

- 13-13 Treasurer Report – We noted that the December 31, 2012, Treasurer's Semi-Annual Report, was only published in one of the two official County newspapers.

Recommendation – Per Chapter 349.16(3), the Treasurer's Semi-Annual Report, is to be published timely in each of the County's official newspapers. The Treasurer should implement procedures to ensure that all publishing requirements are being met.

Response – We will implement procedures to be sure that proper publishing is being done in the future in both of the official County newspapers.

Conclusion – Response accepted.

- 13-14 E911 and Emergency Management Minutes – We noted that at least one month's E911 and Emergency Management Board minutes were not properly signed by the Director, by the Board chairman or any other Board member.

Recommendation – The E911 and Emergency Management Boards should have the minutes of all its meetings properly signed by the Director and a Board member as soon as the Board approves the minutes. Signing of the minutes is needed to attest to the accuracy of the minutes.

Response – We will make sure that in the future all minutes are signed timely.

Conclusion – Response accepted.

- 13-15 E911 Service Board Budget – The E911 Service Board is not formally approving each fiscal year the amount of the E911 Surcharge Fund balance being designated and the purpose of the designation. The E911 Service Board believes the approval of the budget, which includes supplemental detail that reflects the designation of the entire ending E911 Surcharge Fund balance, suffices for purposes of approval.

Recommendation – The E911 Service Board should formally approve in the Board minutes, the ending E911 Surcharge fund balance that is being designated and the purpose of the designation. The E911 Service Board should be formally approving this information on an annual basis.

Response – We will implement your recommendation.

Conclusion – Response accepted.

Osceola County

Staff

This audit was performed by:

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Carmen Austin, CPA, Senior Auditor
Kayla Reck, Assistant Auditor
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